



2017

Economic Survey of Latin America and the Caribbean

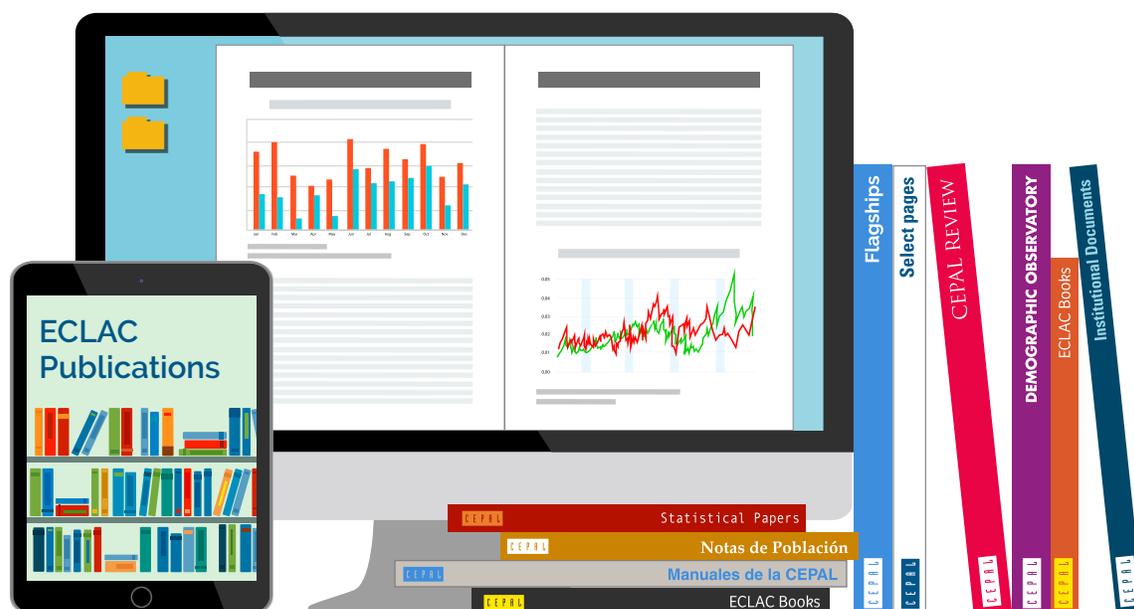
Dynamics of the current economic cycle
and policy challenges for boosting
investment and growth



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investment and growth



UNITED NATIONS

ECLAC

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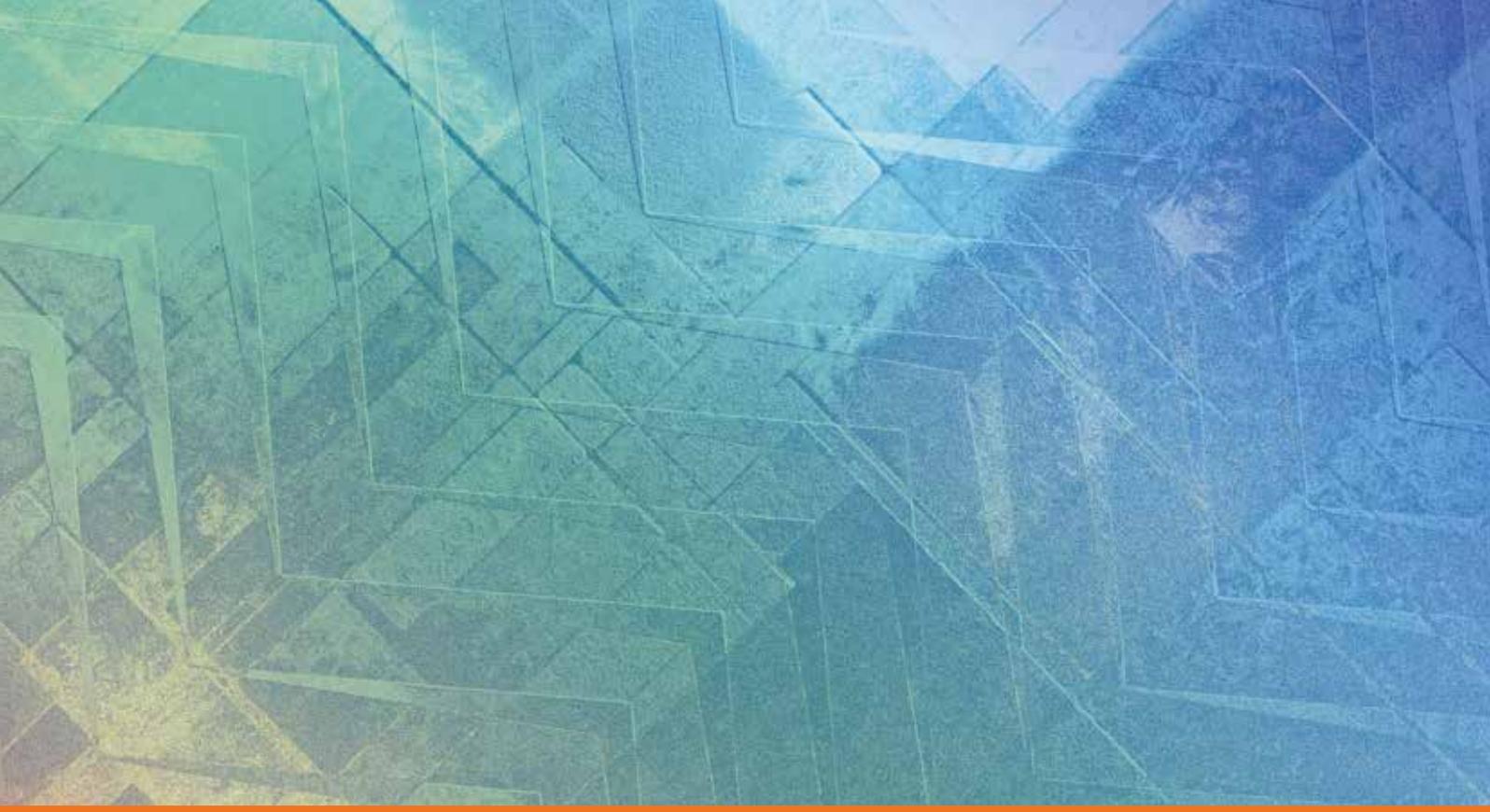
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Presentation and executive summary

Presentation

The 2017 edition of the *Economic Survey of Latin America and the Caribbean*, its sixth-ninth issue, consists of three parts. Part I outlines the region's economic performance in 2016 and analyses trends in the early months of 2017, as well as the outlook for the rest of the year. It examines the external and domestic factors that have influenced the region's economic performance and draws attention to some of the macroeconomic policy challenges of the prevailing external conditions, with a modest uptick in global economic growth and trade amid persistent uncertainty, especially in relation to political factors.

The thematic section of this edition analyses the characteristics of the current economic cycle in the region (2009-2016) and contrasts it with the two preceding cycles (1990-2001 and 2002-2008). It also identifies and attempts to explain some of the determinants of the cycle and outlines possible strategies for regaining growth. The dynamics of the current cycle are being driven basically by private consumption and government spending, whereas investment and exports, which are the most important determinants of aggregate demand from the point of view of capital formation, creation of productive capacities and long-term growth, have played only a secondary role in economic growth. The current cycle and the prevailing external context pose major challenges in terms of navigating the short-run conditions and returning to growth in the region in the medium and long terms.

Part III of this publication may be accessed on the website of the Economic Commission for Latin America and the Caribbean (<http://www.cepal.eclac/>). It contains the notes relating to the economic performance of the countries of Latin America and the Caribbean in 2016 and the first half of 2017, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 30 June 2017.

Executive summary

A. The economic situation and outlook for 2017

Against a backdrop of moderate but sustained global economic growth, higher prices for the raw materials exported by the region and greater uncertainty arising from global political risks, regional growth is expected to continue to register a positive change for 2017, which could bring about a gradual economic expansion after two years of contraction of regional GDP. The average rate of growth is expected to reach 1.1% in 2017, meaning that the region's average GDP per capita growth will be zero. At the subregional level, growth across countries and subregions will continue at different rates: South America is expected to see growth of 0.6%; Central America and Mexico, 2.5%; and the Caribbean, 1.2%.

The outlook for regional and subregional growth reflects both external and internal factors. On the external front, growth of the global economy has consolidated at moderate rates and should close the year with an increase of 2.7%, three tenths of a percentage point up on 2016, driven by a better performance in both developed and developing economies.

Developed economies are expected to expand by around 2%, with the United States seeing growth of 2.1%. Emerging economies are expected to achieve a higher rate of growth (4.2%) in 2017, with the Chinese economy set to grow by 6.5%, down two tenths of a percentage point on 2016.

Coinciding with the moderate growth in world GDP, global trade volume growth rates continue to languish at levels lower than those that preceded the global financial crisis. However, in line with increased global activity, international trade has also started to pick up in the first months of 2017. The year is therefore expected to close with world trade volumes up by close to 2.4%, significantly higher than in recent years.

The slow growth of trade-intensive components of aggregate demand, particularly investment, is one of the factors that explains the performance of world trade. In this regard, a higher trade volume in 2017 would reflect a slight increase in investment not only in the United States, but also in the eurozone and some emerging economies, albeit at a slower rate than those seen prior to the global financial crisis.

In addition to this upturn in economic activity, commodity prices are expected to rise, up by 12% on average compared with 2016. In particular, energy prices are expected to increase by 19%, and metals and minerals by 16%. Food prices are forecast to be 3% higher, on average, compared with 2016.

The behaviour of the international financial markets, which have seen historically low levels of volatility, has also boosted economic growth. Apart from occasional spikes, European markets have followed the downward trend in volatility, as have those of emerging economies and the United States. As the markets have become less risk averse, portfolio capital flows to emerging economies have increased in the first five months of 2017 and the prices of financial assets, especially shares, have risen thanks to the brighter economic outlook for the year.

The shift in the composition and drivers of global liquidity is an important factor in understanding the performance of the global financial sector and how it affected the region's economies. Between 2000 and 2008, global liquidity was driven by the big global banks, whose strategy focused on procyclical leverage with a high degree of interconnectivity, owing to increased financial globalization. During that period, there

was an unprecedented increase in the volume of assets and, more particularly, of derivatives at the global level. After the financial crisis of 2008-2009, there has been a marked slowdown in global liquidity. Lending has fallen significantly and this trend can be seen more clearly in developed economies than in developing ones.

Global banks began deleveraging after 2010, which explains their decline as suppliers of liquidity. The global banking system has grown more slowly as the international bond market has gained importance as a supplier of liquidity. The performance of the international bond market is reflected in its growing importance as a source of financing.

At the sectoral level, figures show that debt issuance by the government sector has declined and that the financial sector is a large and growing presence as an issuer of international securities in all regions of the developing world. The non-financial corporate sector has become the largest issuer of securities in Latin America and the Caribbean after governments. Developing economies' increasing share of the bond market has pushed up their debt levels.

Despite stronger growth and lower financial volatility, political and trade uncertainty stemming from protectionist trends has increased, which could have an effect on not only global uncertainty, but also on the performance of the real economy at the global level.

At the regional level, in 2017, the current account balance is expected to continue at levels similar to 2016, at around -1.9% of GDP. The goods trade surplus will continue to widen in 2017 but, unlike in 2016, when imports contracted sharply, this time it will be as a result of the better performance of exports than imports, in line with the improvement in the region's terms of trade. In 2017, a commodity price upturn, together with an increase in the volumes exported, will have a positive impact on the value of regional exports, which could rise for the first time after four straight years of decline.

According to official figures, in March exports were up by almost 15% year-on-year in the average for 13 countries of the region. For the year overall, exports are projected to expand by 8%, reflecting a rise of 2% in volume and 6% in prices.

The strong performance of exports will be accompanied by a boost in remittance flows, which have a major impact on consumption trends in many countries of the region.

With regard to domestic factors, available indicators for the first months of 2017 suggest that the economies of the region remain on a positive growth path. Domestic demand is growing, driven by higher exports and consumption. Greater regional domestic demand, up 1.1% in the first quarter of 2017, is the result of 1.6% growth in private consumption, which offset both the drop in gross fixed capital formation (-0.2%) and public consumption (-0.2%).

In the area of employment, in the first quarter of 2017, the labour market continued to deteriorate at the regional level, following a new year-on-year fall in the urban employment rate against a backdrop of higher labour supply (increase in the participation rate). As a result, for a group of countries for which quarterly information is available, the urban unemployment rate rose from 8.1% in the 12-month period from April 2015 to March 2016 to 9.8% in the 12 months from April 2016 to March 2017.

However, in line with the modest recovery in economic growth in the first quarter of 2017, the deterioration of the labour market slowed and was less widespread than 2016. For the region as a whole, the growth in urban unemployment rate is expected to slow over the course of the year, meaning that, on average, it will increase from 8.9% in 2016 to 9.4% in 2017. This would add 2.5 percentage points to the urban unemployment rate for the period 2014-2017.

The fall in the employment rate, the main driver of unemployment, is mainly due to weak wage employment creation. There is a fairly strong correlation between growth and wage employment, meaning that the slow growth of recent years has led to the creation of fewer wage jobs.

During the first quarter of 2017, wage employment increased by just 0.1%, which has boosted self-employment that partially offset weak wage employment generation, albeit with a drop in the quality of work. Meanwhile, in the countries with data available, the real average wages for registered employment increased in the first quarter by 1.5% in the median, largely as a result of a drop in inflation in several countries.

The average fiscal deficit in Latin America will hold steady in 2017, at around 3.1% of GDP, albeit with variations by subregion. In the north of the region—including Central America, the Dominican Republic, Haiti and Mexico—it is projected to grow after three consecutive years of significant declines, to 2.4% of GDP, owing mainly to a deceleration in public revenue growth. By contrast, budgets in South American countries suggest that the fiscal deficit will contract in 2017, from 4.2% of GDP in 2016 to 3.9% of GDP in 2017, as a result of a cut in public spending. In the Caribbean the fiscal deficit is expected to increase from 2.1% of GDP in 2016 to 2.3% of GDP in 2017.

As in 2016, central government debt in Latin America reached a simple average of 37.3% of GDP in the first quarter of 2017. Although debt remains high in some countries, it grew more slowly. In the Caribbean, public debt continued to fall, down from an average of 74.2% of GDP by the end of 2016 to 72.7% of GDP in the first quarter of 2017.

Public revenues are expected to fall in Latin America in 2017, contrasting with the upturn projected for the Caribbean. Fiscal revenues in Latin America will decrease from 18.3% of GDP in 2016 to 18.1% in 2017. In particular, central government tax revenues are projected to decline (from 15.7% of GDP in 2016 to 15.5% in 2017). The unexpected increase in tax revenues in 2016 derived partly from exceptional factors such as the implementation of new tax administration measures in some countries, particularly in northern Latin America, and extraordinary income from tax amnesty programmes in South America, which mitigated the fall in public revenue in those countries.

Total public revenue in the Caribbean will rise from 27.4% of GDP in 2016 to 27.7% in 2017, although these figures mask large differences among countries.

As a result of fiscal consolidation in several countries, public spending is expected to be cut in Latin America in 2017, especially in South American countries, where it will fall from 24.3% of GDP in 2016 to 24.0% of GDP. In Central America, the Dominican Republic, Haiti and Mexico, public spending is expected to remain stable relative to output (18.7% of GDP). The cut in public spending in Latin America is largely the result of a reduction in capital expenditure. Public spending is expected to rise in the Caribbean from 29.5% of GDP in 2016 to 30.0% of GDP in 2017, with a certain shift towards higher capital expenditure, owing partly to some Caribbean countries' reconstruction needs in the aftermath of Hurricane Matthew, which struck in October 2016.

Several central banks in the region have tended to adopt expansionary monetary policies, although in some cases the latitude available to policymakers has narrowed, either because inflation has remained above official targets or because external factors, such as greater political uncertainty, which increased exchange-rate volatility in many countries of the region.

In countries that employ monetary policy rates as their main policy instrument, these rates have usually moved with inflation. Thus, the central banks of the South American countries where inflation has fallen have cut their policy rates. The central banks of the region's north have found themselves with less scope to stimulate economic activity and have responded to higher inflation and the exchange-rate volatility affecting some of the subregion's currencies since mid-2016 by raising their reference rates.

Growth in domestic lending to the private sector slowed in nominal and real terms during the first quarter of 2017, especially in the South American economies, although it is still above trend. In the economies of Central America and Mexico as a group, domestic lending grew by an average of 6.9% in real terms in the first quarter of 2017.

As in 2016, the region's currencies behaved heterogeneously in the first four months of 2017. Broadly speaking, the currencies of the southern economies strengthened while those of the northern economies depreciated, with some countries, such as Mexico, experiencing both developments at different times.

The international reserves of Latin America and the Caribbean rose by 2.2% in the first five months of 2017 relative to end-2016, the equivalent of an extra US\$ 18.0 billion. Although reserves increased in the region as a whole, growth in Argentina (US\$ 6.37 billion) and Brazil (US\$ 11.961 billion) accounted for almost all the rise. In terms of GDP, international reserves in the region fell by 0.6 percentage points on average in the first five months of 2017.

Average inflation in the economies of Latin America and the Caribbean has fallen since the second half of 2016, even though three economies still have rates of over 20%. This trend has continued in the first five months of 2017, with average inflation for the region dropping by 1.6 percentage points, from 7.3% in 2016 to 5.7% in May 2017.

Behind this regional trend, inflation dynamics in the economies of Latin America and the Caribbean were extremely heterogeneous. Inflation has declined in South American and non-Spanish-speaking Caribbean economies since mid-2016, while it has increased in the subregion comprising the countries of Central America, the Dominican Republic, Haiti and Mexico.

B. Dynamics of the current economic cycle and policy challenges for boosting investment and growth

Economic conditions in Latin America and the Caribbean and its subregions in 2016-2017 may be interpreted in the light of the analysis of the economic cycle set forth in the second part of this edition of *Economic Survey of Latin America and the Caribbean*, which describes the nature of the current cycle in the region (2009-2016) and contrasts it with the two previous cycles (1990-2001 and 2002-2008). It also identifies and attempts to explain some of the cycle's determinants and to outline possible strategies for regaining a positive growth trajectory.

The current cycle is being driven essentially by private consumption and government spending. Conversely, investment and exports, which are the most important determinants of aggregate demand from the point of view of capital formation, creation of productive capacities and long-term growth, have played only a secondary role in economic growth.

This cycle and its characteristics reflect changes that have occurred in developed economies, which have led to slower trend GDP growth and a standstill in gross investment in the wake of the global financial crisis. This is due in part to the economic and, especially, political uncertainty that weigh on investment decisions by the non-financial corporate sector, despite more stable and benign financial conditions.

Weak global aggregate demand has played a significant role in the slowdown in international trade. Data available from 1990 to 2016 show that global trade growth declined on average from 7.3% in the 1990s to 4.5% in the 2000s.

The performance of trade is due in part to structural factors, including a decline in the importance of global value chains. But it also reflects the performance of aggregate demand. A decomposition exercise by the Organization for Economic Cooperation and

Development (OECD) shows that in 2011-2015 global aggregate demand explains over 40% of the variations in trade.¹

Yet, despite the changes that have occurred in the real sector, financial globalization has continued apace and has withstood the impacts of the global financial crisis. The financing gap the crisis caused in the financial system—and especially in the global banking system—has been covered by growth in capital markets, and in bond markets in particular. In addition, given their falling rates of return, global banks have returned to strategies based in part on rising derivatives volumes and greater interconnectivity to increase their profits.

This new global context, with slacker external demand and ever greater financial globalization, has led to external forces being transmitted to the region through real channels, especially trade, rather than financial channels. Given the close link between trade and the production structure of the region's economies, the impact of external shocks has been uneven across the region. Comparatively speaking, countries that produce and export hydrocarbons and minerals have been worse affected by external conditions, whereas in Central America the impact has been smaller.

Financial globalization has kept financial flows coming into the region, with two important consequences. First, the region has seen a rapid rise in credit to the private sector, with a resulting expansion in household debt. Second, as in other emerging economies, Latin America's non-financial corporate sector took advantage of the growing significance of international bond markets and has also increased its borrowing levels.

The current cycle poses major challenges in terms of navigating the conditions in the short term and returning to growth in the medium and long terms. The sluggish growth of aggregate demand at the global level makes it an unlikely prospect that growth can be regained through the export sector, as in 2002-2008. This argument is backed up by the region's low export elasticity vis-à-vis the rest of the world. Lastly, exchange-rate adjustments can do little to boost exports if aggregate demand is stagnating at the global level.

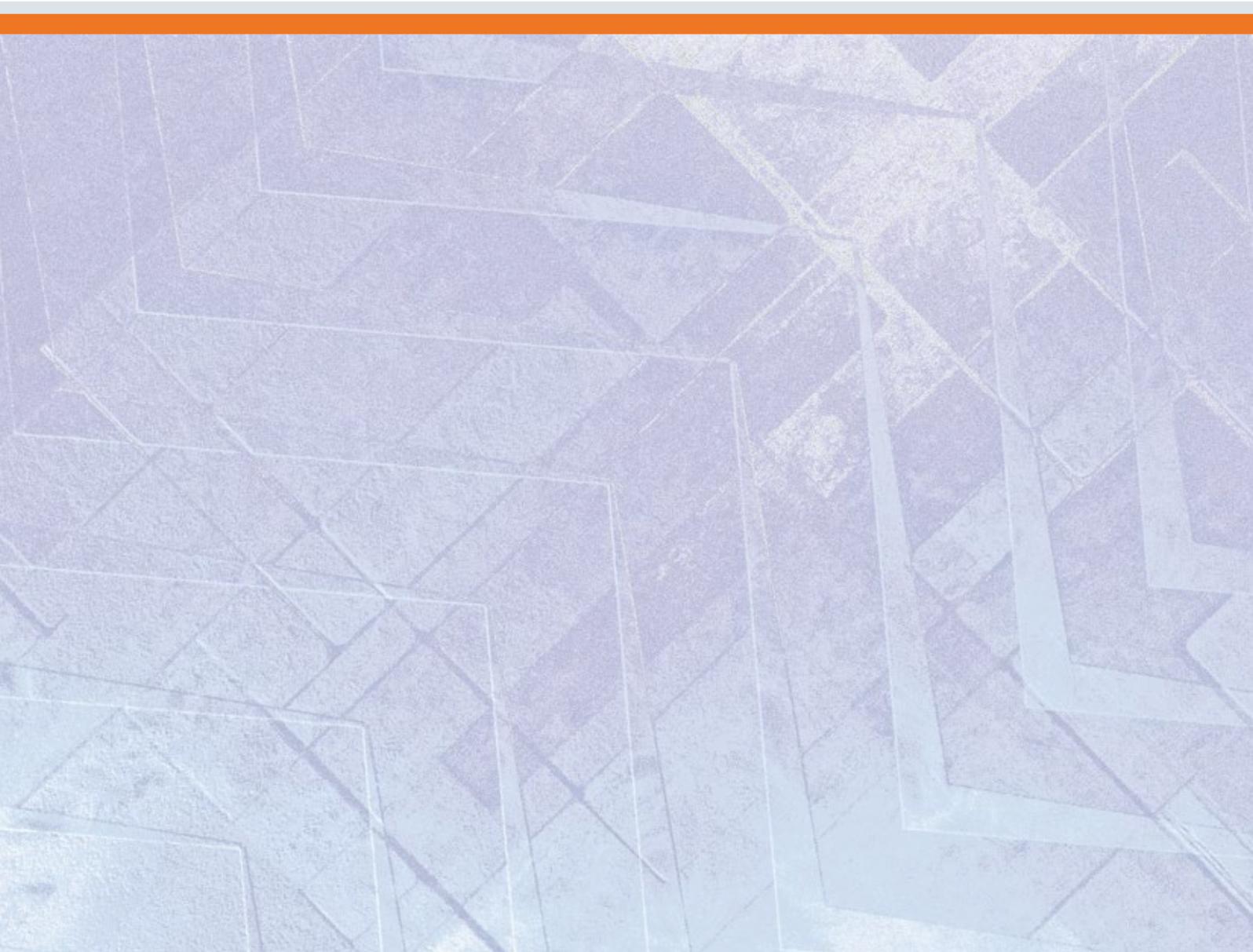
Stimulating demand through private consumption is not an option for sustainable long-run growth, either. In a low-growth context, this type of strategy can lead to a financial debt burden disproportionate to income, which is liable to become unsustainable over time.

In terms of public consumption, although the incurrence of larger fiscal deficits can stimulate growth on the demand side, it can provide only a limited impulse because government transactions account for only a small proportion of GDP. More importantly, rising fiscal deficits generate larger borrowing requirements, which usually entail a rise in public debt. Furthermore, when external debt makes up a large share of public liabilities in a low-growth context, external financing can become more costly for the region's economies and their credit ratings can suffer.

Returning to growth in the medium and long terms will require changing the dynamics of the cycle. This calls for countercyclical policies that not only smooth out cyclical fluctuations but also tackle the challenge of changing those specific traits of the cycle that hurt growth and the productive structure of the countries of the region. The fiscal countercyclical framework needs to be made more robust and public investment afforded a stronger role. The fiscal framework must be accompanied by a financial policy geared towards stabilizing credit and a monetary policy that supports investment growth.

¹ See Organization for Economic Cooperation and Development (OECD), "Cardiac arrest or dizzy spell: why is world trade so weak and what can policy do about it?", *OECD Economic Policy Paper*, No. 18, 2016.

The economic situation and outlook for 2017



Regional overview

- A. The external context
 - B. The external sector
 - C. The evolution of global liquidity
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A. The external context

1. Global economic growth is expected to be stronger in 2017 than in 2016, thanks to both developing and emerging economies

The global economy grew by 2.4% in 2016 and is expected to pick up to 2.7% in 2017 thanks to stronger performances by developed, emerging and transition economies (see table I.1).

	2013	2014	2015	2016	2017	2018 ^a
World	2.5	2.7	2.5	2.4	2.7	2.9
Developed economies	1.0	1.7	2.2	1.7	2.0	1.9
United States	1.7	2.4	2.6	1.6	2.1	2.2
Japan	2.0	0.4	1.2	1.0	1.2	0.9
United Kingdom	1.9	3.1	2.2	1.8	1.7	1.3
Eurozone	-0.2	1.2	1.9	1.7	1.8	1.7
Emerging and developing economies	4.7	4.3	3.8	3.6	4.2	4.8
China	7.8	7.4	7.0	6.7	6.5	6.4
India ^b	6.4	7.5	8.0	7.1	7.3	7.7
Transition economies	2.0	0.9	-2.3	0.4	1.8	2.0
Russian Federation	1.3	0.8	-2.8	-0.3	1.3	1.4

Table I.1
GDP growth and projections, 2013-2018
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, *World Economic Situation and Prospects, Update as of mid-2017*, New York; World Bank, *Global Economic Prospects, January 2017: Weak Investment in Uncertain Times*, Washington, D.C., 2017; Economist Intelligence Unit; International Monetary Fund (IMF), *World Economic Outlook* and Bloomberg.

^a Figures for 2017 and 2018 are projections.

^b Figures correspond to the fiscal year starting in April and ending in March of the following year.

Growth in developing economies—which had weakened in recent years—is set to recover to 4.2% in 2017.

In China, one of the largest economies in this group, although growth continues to slow as expected, this has been a gradual process owing to public stimulus measures to rapidly expand credit, and the economy is set to grow by 6.5% in 2017, in line with the government's own target. Year-on-year growth in the first quarter of 2017 stood at 6.9%, even after the Government of China began slowly unwinding credit stimuli in order to curb increasing financial risks. Growth in India—where the negative impact of cash shortages stemming from the ban on large currency bills is not likely to last—is expected to be 7.3% this year. Lastly, two other large economies, Brazil and the Russian Federation, will return to growth in 2017 after contractions in 2015 and 2016.

The developed economies are expected to grow by 2.0% in 2017, higher than the level seen last year, with the United States driving the trend thanks to an increase in economic growth from 1.6% in 2016 to 2.1% in 2017. Although growth in the United States in the first quarter of 2017 was lacklustre (GDP expanded at a seasonally adjusted annualized rate (SAAR) of just 1.4%), it is set to pick up this year. This trend should stem from both a recovery in investment and stronger consumer spending, influenced to some extent by expectations of greater fiscal stimulus, although the latter is not expected to occur this year.

The eurozone grew by 1.9% (year-on-year) in the first quarter of 2017 and for the full year is set to post somewhat stronger growth than in 2016, given that monetary conditions are likely to remain flexible and fiscal policy is not expected to be tightened in most cases. Japan should also post higher growth than in 2016, albeit still at low rates (around 1.2%). Lastly, the United Kingdom's economy is projected to expand

by 1.7%, a touch lower than the 1.8% seen in 2016, despite solid growth in the first quarter of 2017.¹ With the country expected to be occupied with its withdrawal from the European Union (Brexit) over the next two years, these forecasts are likely to be revised downwards owing to the costs implied by Brexit as well as its potential impact on trade and on jobs in some sectors, particularly finance.

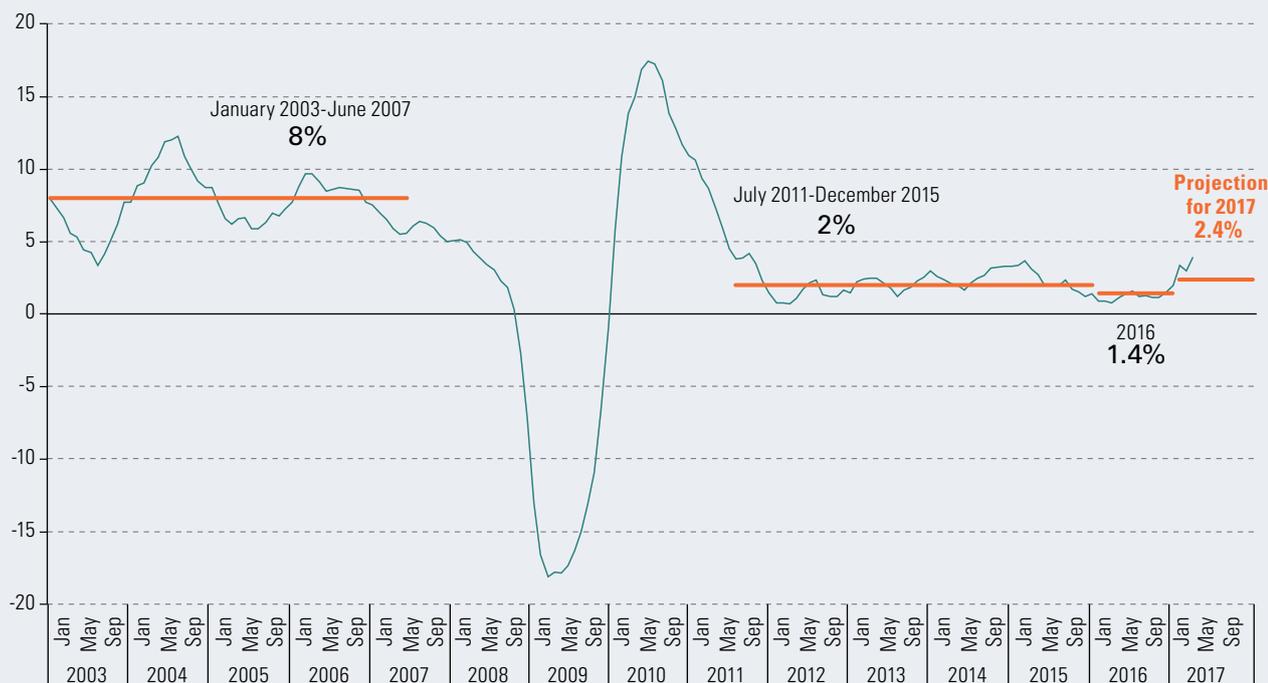
2. As the global economy has strengthened, so too has international trade in the first quarter of 2017, although growth rates remain below the levels seen before the global financial crisis

Global trade volumes have been recovering since November 2016.

Following sluggish growth in international trade in 2016 (up just 1.4% in volumes) conditions improved in the first few months of 2017 and trade volumes in the first quarter of the year rose by almost 4% year-on-year (see figure I.1).² These figures are in line with other indicators, which reflect an improved trade performance in the past few months, such as increased container traffic at the largest ports and bigger air cargo shipments. The World Trade Outlook Indicator (WTOI) developed by the World Trade Organization (WTO) also shows a stronger increase in trade in the first half of 2017.

Figure I.1

Seasonally adjusted year-on-year trade volume growth, January 2003–March 2017
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor, 2017 and World Trade Organization (WTO).

¹ The United Kingdom posted a 2% increase in GDP year-on-year in the first quarter of 2017.

² Based on figures from the World Trade Monitor of the Netherlands Bureau of Economic Analysis (CPB).

One of the factors contributing to weak trade is sluggish growth in the trade-intensive components of aggregate demand, particularly investment.³ An increase in trade volumes in 2017 would be in line with the stronger trends expected in investment this year, not just in the United States, but also in the eurozone and some emerging economies.

According to the latest WTO figures, global trade volumes should rise by 2.4% this year, although this forecast falls within a range of 1.8% to 3.6% (WTO, 2017). The uncertainty created by Brexit and the possible tightening of trade policies point to “a significant risk that trade expansion in 2017 will fall into the lower end of the range” (WTO, 2017, p. 2). Moreover, the impact of cyclical factors on demand only explains one side of the story behind the deceleration in trade over the past few years. The structural factors—such as those implying a possible reversal of the process of production segmentation into value chains—should also be examined as they determine the strength of trade in the longer run.

3. In addition to the upturn in global growth and trade, commodity prices are expected to rise by 12% on average compared with 2016, with energy and metal and mineral prices posting the largest increases

After declining sharply in recent years, commodity prices are expected to rise by 12% on average in 2017, with respect to 2016 levels. Energy prices will post the strongest increase in 2017, with a 19% jump over average prices seen in 2016, while the prices of other commodities are set to grow by 9% (see table I.2).

	2016	2017 ^a
Agricultural products	4	3
Food, tropical beverages and oilseed crops	5	2
Food	9	4
Tropical beverages	1	2
Oils and oilseeds	1	0
Forestry and agricultural raw materials	0	5
Minerals and metals	-2	16
Energy products ^b	-13	19
Total commodities	-4	12
Total commodities excluding energy products	1	9

Table I.2
Changes in global commodity prices, 2016 and 2017 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from World Bank, International Monetary Fund (IMF), Economist Intelligence Unit and Bloomberg.

^a Projections.

^b Energy products include oil, natural gas and coal.

Crude oil prices appeared to benefit in early 2017 from the agreement by members of the Organization of the Petroleum Exporting Countries (OPEC) in November 2016 to cut crude oil production output, a decision which was also followed by non-OPEC countries, such as the Russian Federation. However, from March onwards, crude oil prices weakened once again, owing mainly to the increase in supply and production in the United States. Nonetheless, some specialized sources have indicated that prices should recover in the second half of the year thanks to stronger demand and the fact that OPEC members and other oil-producing countries led by the Russian Federation have decided to extend cuts for nine more months from the end of May, until March 2018. Moreover, geopolitical tensions in some oil-producing countries, as well as the possible worsening of the crisis in the Bolivarian Republic of Venezuela, represent upside risks for oil prices.

³ See, for example, United Nations (2017) and IMF (2016).

Metal and mineral prices are expected to rise in 2017 compared with 2016. Within this group, the prices of industrial metals, such as copper, have been boosted since the end of 2016 by expectations of an infrastructure investment package announced by the new United States administration.⁴ Although it is now certain that this package will not be implemented this year, metal and mineral prices are expected to be up by 16% on average in 2017, versus 2016.

Better harvests for some agricultural products, such as grains and soybeans, are expected to result in a much more moderate increase in prices: 3% on average in 2017, compared with 2016.

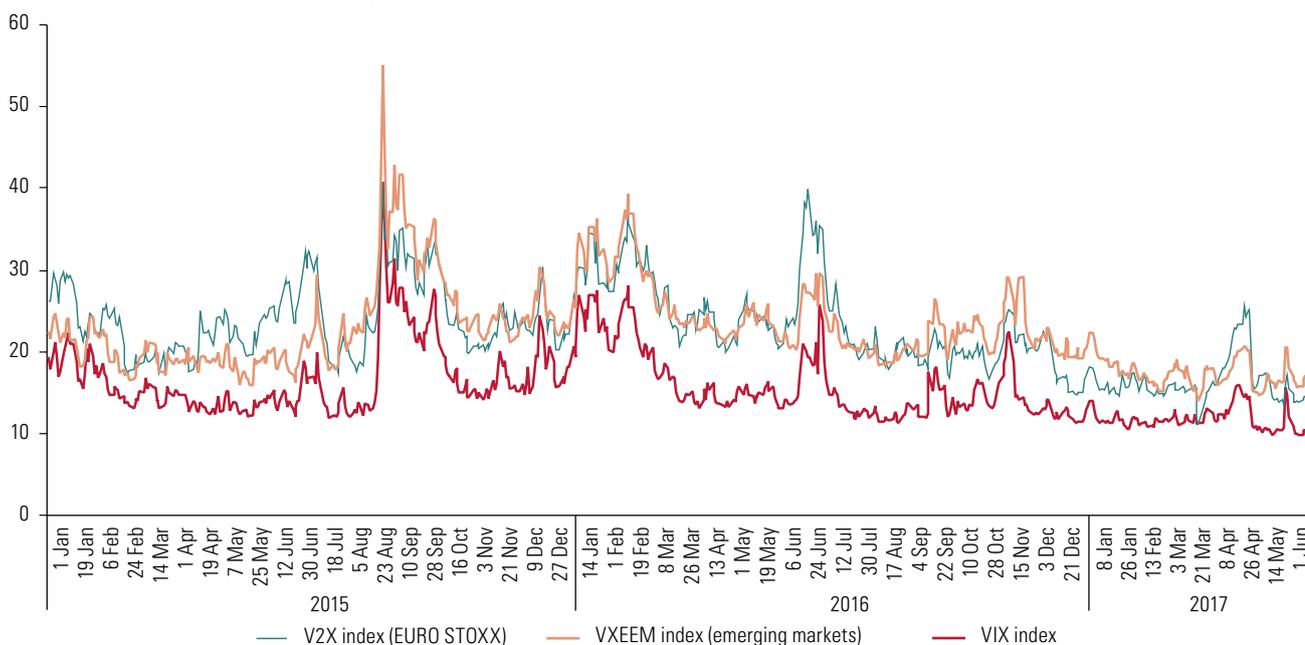
This mixed recovery in commodity prices—which is more evident in energy products, metals and minerals—will have varied impacts on the terms of trade of Latin American and Caribbean countries, as discussed in section B.

4. Financial markets started off 2017 with low volatility and strong increases in stock prices

Unlike 2016, which started off with highly volatile financial markets, 2017 began and has continued with historically low volatility, similar to the levels seen prior to the 2008 and 2009 global financial crisis. Aside from temporary spikes, for example prior to the first round of the presidential election in France, there has been a downward trend in European markets, as well as in emerging economies and the United States (see figure I.2). In line with this trend and with low levels of risk aversion in markets, portfolio capital flows to emerging economies increased in the first five months of 2017 and financial asset prices—particularly in stock markets—have risen, buoyed by improved economic growth prospects for this year (see figure I.3).⁵

Figure I.2

Financial market volatility, January 2015–June 2017



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

Note: The VIX index is prepared by the Chicago Board of Exchange (CBOE) from S&P call and put option prices, and measures expected volatility over the next 30 days. Along similar lines, CBOE also produces the VXEEM index, which measures volatility in emerging markets, while Deutsche Börse and Goldman Sachs produce the V2X index, which measures eurozone volatility.

⁴ Copper prices were also affected by the decline in global production resulting from the month-and-a-half strike (between February and March 2017) at the Escondida mine in Chile, the world's largest copper producer, owned by BHP.

⁵ According to data from the Institute of International Finance, portfolio capital flows to emerging markets were 35% higher at the end of 2017 than the level seen in 2016 (Reuters, 2017).

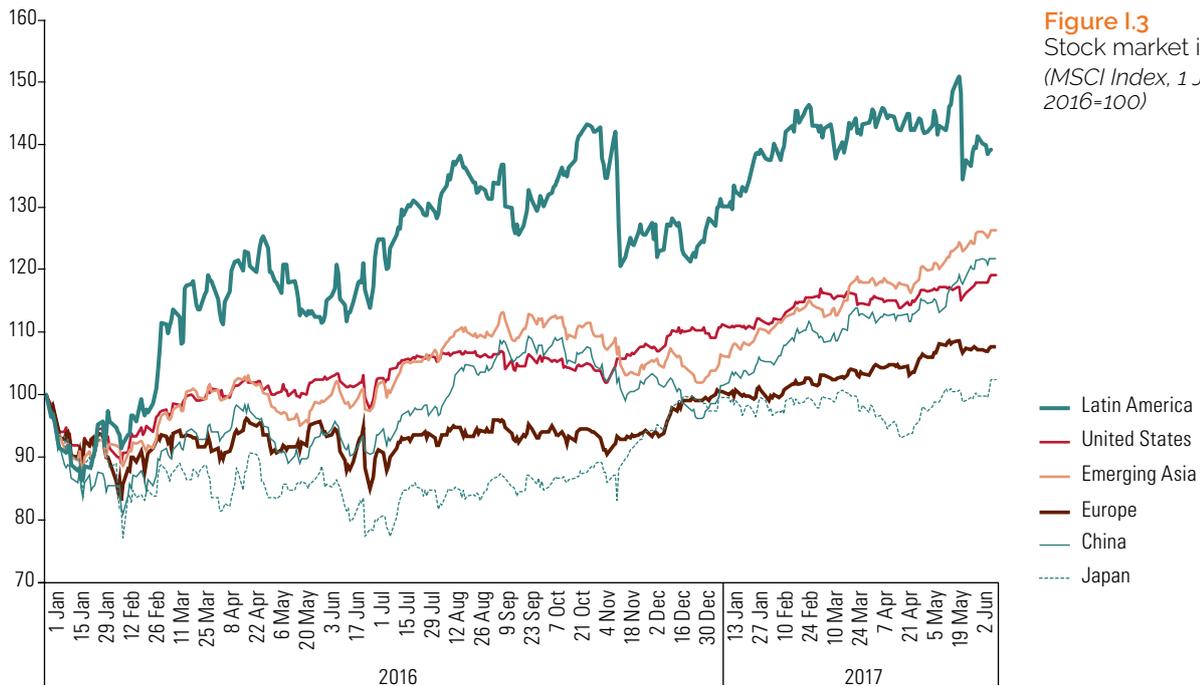


Figure I.3
Stock market indices
(MSCI Index, 1 January
2016=100)

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

5. The European Central Bank and the Central Bank of Japan are expected to keep monetary policy expansionary in 2017, while the United States is expected to adopt a tighter stance

With respect to monetary policy in the United States, the Federal Reserve raised its benchmark rate in December 2016 and in March and mid-June 2017, yielding an overall increase of 75 basis points and a range of 1% to 1.25%. The monetary policy interest rate is expected to be raised once again in the second half of the year, although some analysts foresee up to two more hikes in that period. This would imply a range of 1.5% to 1.75% for the rate by December 2017.

The probability of greater inflationary pressure has increased in the United States since the change in administration, owing, among other factors, to the expected fiscal stimulus—through increased infrastructure spending and tax cuts—which would lead to a rise in the policy rate. Consequently, long-term interest rates—particularly for 10-year United States Treasury bonds—rose sharply following the presidential election. In March 2017, these rates were roughly 80 basis points higher than the level seen prior to the election, although they subsequently declined as the likelihood of the stimulus package being implemented in the short term was discounted.

Unlike the United States Federal Reserve, the European Central Bank and the Central Bank of Japan are set to continue their expansionary monetary policy, as there are no expectations of inflationary pressure that would force them to revise their interest rate or asset purchase policies (quantitative easing), at least in the short term (in other words, in 2017).⁶

⁶ At the end of 2016, the European Central Bank (ECB) approved an extension of its quantitative easing programme until December 2017 or beyond, if necessary, and reaffirmed this policy at its meeting in early June 2017.

6. Uncertainty will remain in 2017 owing to persistent risks on various fronts, and new increases in financial volatility cannot be ruled out

With respect to global financial conditions, the normalization of interest rates already under way in the United States, although desirable, will increase countries' financing costs and trigger changes in portfolio structure. Although these interest rate rises are still expected to be gradual, external financial flows to emerging countries, including Latin America and the Caribbean, could be affected. As regards trade, although some of the risks looming at the end of 2016 have subsided somewhat, they may yet re-emerge, while others may grow. The new United States government has softened its rhetoric on the North American Free Trade Agreement (NAFTA) for the time being, thus reducing expectations of a possible negative impact on the country's policies vis-à-vis Central America and Mexico. Moreover, the United States appears further away from implementing the harsh protectionist policies announced in the run-up to presidential elections, which suggests that trade relations with China and Mexico will be spared disruption.

Nonetheless, it is becoming more difficult at the global level to reconcile and coordinate national objectives and policies with institutional arrangements that govern the international movement of goods and services, and financial, capital, technology and migration flows. Against this backdrop, tensions have arisen on various fronts, including in relation to trade. In Europe, for example, negotiations between the United Kingdom and the rest of the European Union relating to the Brexit process and the nature of the future trade relationship between these countries will remain a point of concern. The results of elections in the United Kingdom in early June 2017 have also triggered fresh uncertainties.

Also in Europe, despite the agreement reached in mid-June to release a new tranche of bailout funds to Greece, the country's high public debt and that of other European countries remain unresolved issues that could cause uncertainty in the future. Lastly, the weakness of domestic banking systems in some European Union countries also poses a threat to future stability.⁷

Although there has been no hard landing⁸ in China for now, the huge appetite for debt encouraged by authorities in order to avoid a sharp decline in growth continues to pose a problem. As mentioned on a number of occasions, the Chinese authorities' efforts to stimulate the economy have led to significant levels of corporate leverage. Partly as a result of this increase in debt, the Chinese financial system, which is exposed to a growing proportion of non-performing loans, continues to be a cause of concern.⁹ There is also a risk associated with the high levels of debt taken on by the country's local governments —mainly to finance infrastructure projects— which have apparently been building up off balance sheet. The alarm stems from the fact that returns on investment are falling and in many cases are not enough to service debt, which increases the risk for the financial system (*Financial Times*, 2017). On a more positive note, capital outflows slowed in the first few months of 2017, thanks partly to the stability of the renminbi as its gradual depreciation ended and it remained fairly stable over the period.

⁷ One example, in Spain, is Banco Santander's acquisition of Banco Popular in early June 2017.

⁸ Although there is no agreed definition, a hard landing usually refers to a rapid shift from strong economic growth to a sharp deceleration or contraction.

⁹ See, for example, ECLAC (2016a).

With respect to policies in the United States, although the new administration is working on an infrastructure investment plan, it is not clear for now what type of investment will be considered, or to what extent the plan will be financed directly by the government or by tax cuts to incentivize public-private partnerships. At the end of April, the United States government announced a tax reform plan that includes, among other things, a reduction in the corporate tax rate from 35% to 15%. The government has called these cuts massive, and although the possible global impacts of this reform are still being discussed, some analyses indicate that the effects will be limited.¹⁰ The new administration is currently revising the legal framework governing the financial system—particularly the Dodd-Frank Wall Street Reform and Consumer Protection Act—which could create vulnerabilities in the medium term, but is ostensibly intended to loosen credit conditions for United States economic agents.¹¹ Lastly, the next vote by the United States Congress over raising the public debt ceiling will, as usual, prompt new uncertainties, but this time against the backdrop of weaker-than-expected Treasury revenues.

¹⁰ It is estimated that some components of the tax reform proposal (such as lower corporate tax and new taxes on imports) could have a global impact. In particular, strong dollar appreciation would hurt emerging economies, for which a large portion of debt is dollar-denominated or -indexed. Nonetheless, some analyses underscore that the impact of lower tax rates on corporate income would be limited, given the fact that the effective tax paid by United States companies today is much lower than the legal rate. See GAO (2016).

¹¹ The Dodd-Frank Act, adopted in 2010, was the United States government's regulatory response to the crisis that began in that country's mortgage market in 2007 and triggered the global economic and financial crisis of 2008 and 2009.

B. The external sector

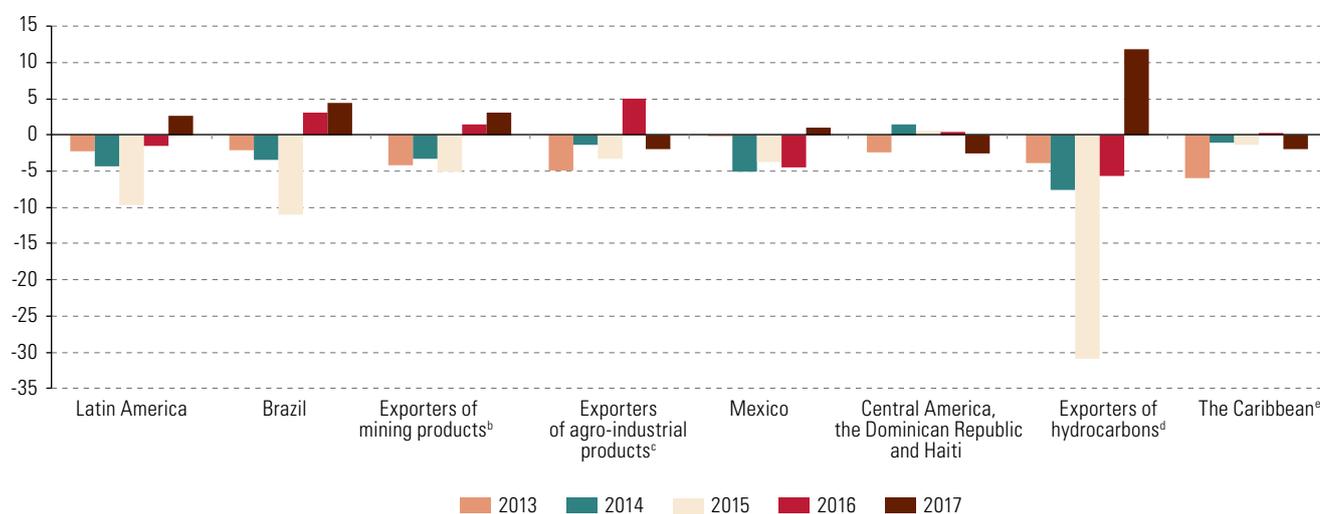
1. After falling for five straight years, the terms of trade will rise by around 3% in 2017 in the regional average, although higher energy and food prices will cause a deterioration for some countries

Terms of trade for Latin America fell for the fifth year in a row in 2016, but in 2017 are expected to rise by around 3% on average, on the back of an upturn in commodity prices. The evolution of commodity prices thus far in 2017 and expectations for the rest of the year suggest that the largest terms-of-trade gain will be in the hydrocarbon-exporting countries (12%), followed by the exporters of mining products (3%).

Meanwhile, terms of trade will deteriorate in 2017 for exporters of agribusiness products (-2%), as well as for the Central American countries and the Caribbean (not including Trinidad and Tobago), which had benefited in preceding years from falls in prices for food and energy, of which they are net importers (-3% and -2%, respectively) (see figure I.4).

Figure I.4

Latin America and the Caribbean (selected countries and groupings): variation in the terms of trade, 2013-2017^a
(Percentages)



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

^a The figures for 2017 are projections.

^b Chile and Peru.

^c Argentina, Paraguay and Uruguay.

^d Bolivarian Republic of Venezuela, Colombia, Ecuador, Trinidad and Tobago, and Plurinational State of Bolivia.

^e Excluding Trinidad and Tobago.

2. The current account deficit is expected to remain stable in 2017, with improvements in the trade balance and remittances offset by a larger deficit on the income account

The balance-of-payments current account deficit narrowed from 3.3% of regional GDP in 2015 to 1.9% in 2016. The current account balance—measured in dollars—improved in all the countries of the region in 2016, with a hefty reduction in the deficit in Brazil¹² owing to a large adjustment in imports of both goods and services.

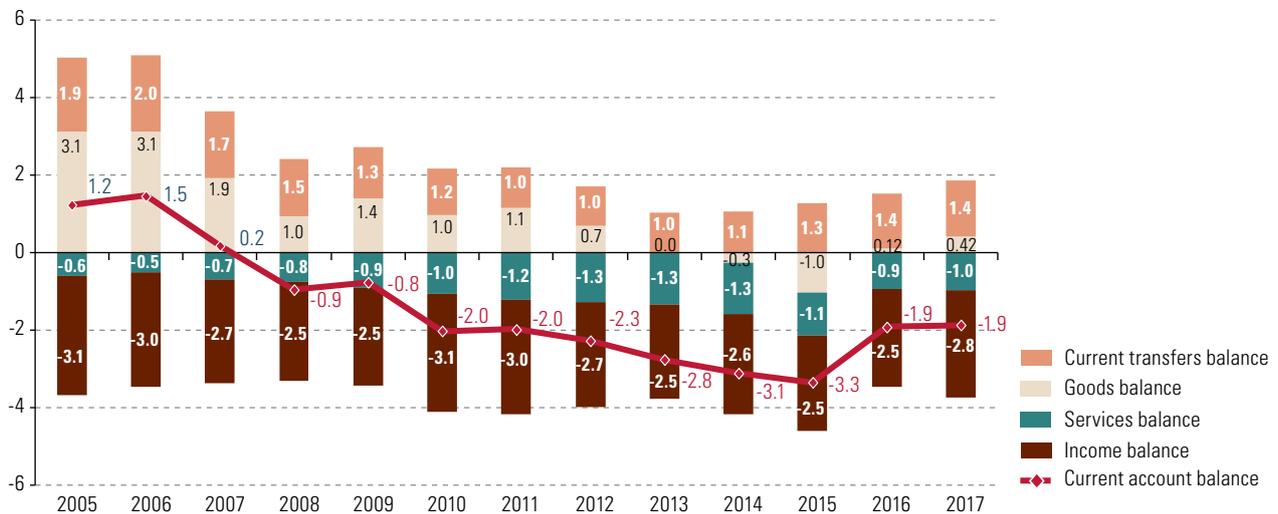
¹² Brazil's current account deficit narrowed from 3.3% of GDP in 2015 to 1.3% of GDP in 2016.

For the region overall, all the components of the current account contributed to the narrower deficit, although the main factor was the improvement in the trade balance, which moved from a deficit of US\$ 52.511 billion in 2015 to a surplus of US\$ 5.774 billion 2016, owing to a much larger fall in regional imports than exports, as discussed later.¹³

In 2017, the current account balance is expected to continue at levels similar to 2016, at around -1.9% of GDP. By component, the surplus on the goods balance will offset a rise in outward payments on the income balance. Remittances are also expected to continue to perform well (see figure I.5).

Figure I.5

Latin America (19 countries):^a balance-of-payments current account by component, 2006–2017^b
(Percentages of GDP)



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

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

^b The figures for 2017 are projections.

3. The goods trade balance has improved for the second year running in 2017, this time thanks to a larger rise in exports than in imports

The goods account moved into surplus territory in 2016, owing to a contraction in imports—9% down on the 2015 figure—which was much larger than the 3% fall in exports.

The slacker economic activity in the region in 2016 was reflected in a 6% decline in import volumes which, together with lower import prices (down 3.7%), translated into a large drop in overall value terms. With the exception of Costa Rica and Nicaragua, imports were down in all the region's countries in 2016, in some cases significantly, as in Ecuador (-23%), Brazil (-19%), Colombia (-17%), Uruguay (-14%) and the Plurinational State of Bolivia (-13%).¹⁴

In 2017 imports are being driven by a better performance in several of the region's economies. In the early months of the year imports were up by 10% year-on-year in the average for 13 countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador,

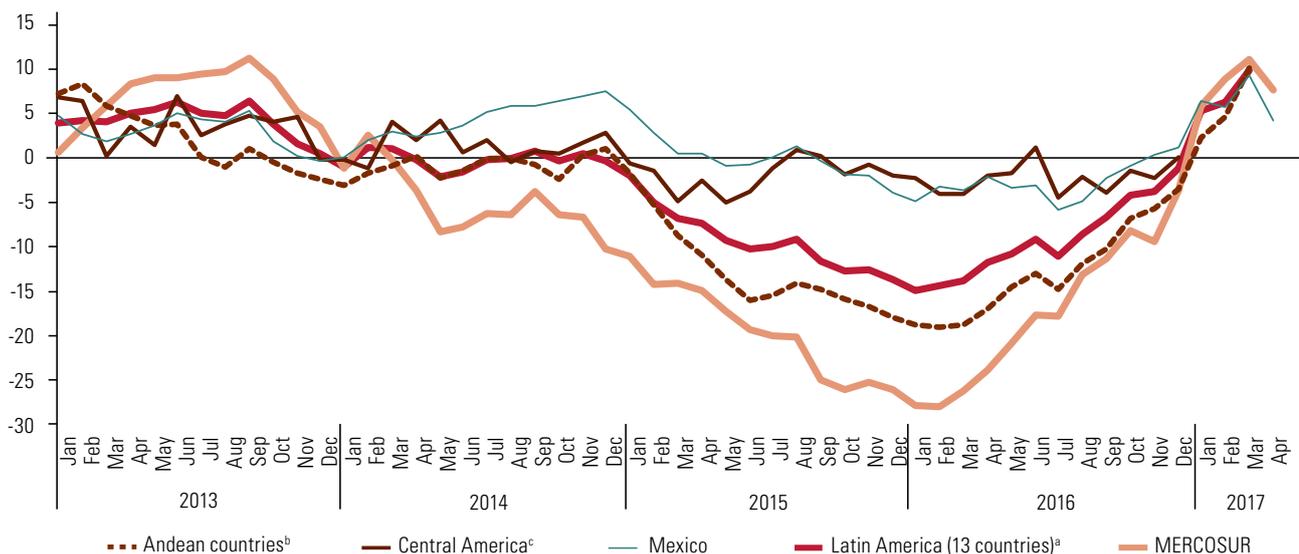
¹³ Although Brazil accounted for much of the improvement in the trade balance, the region's trade deficit still fell by 44.1% if Brazil is excluded from the figures.

¹⁴ Economic activity contracted in both Brazil and Ecuador in 2016, which explains much of their poor export performance. In the case of the Plurinational State of Bolivia, conversely, the drop in imports occurred in the context of economic growth above the regional average. However, growth in Bolivia was associated with the services sectors, which are less import-intensive than other sectors.

El Salvador, Guatemala, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay). Should this trend continue, 2017 will be the first year since 2013 in which regional imports have risen (see figure I.6). According to estimates, a rise of 3% in volume and of just over 3% in prices with respect to 2016 will produce a rise of around 6% in value terms by the close of the year (see figure I.7).

Figure I.6

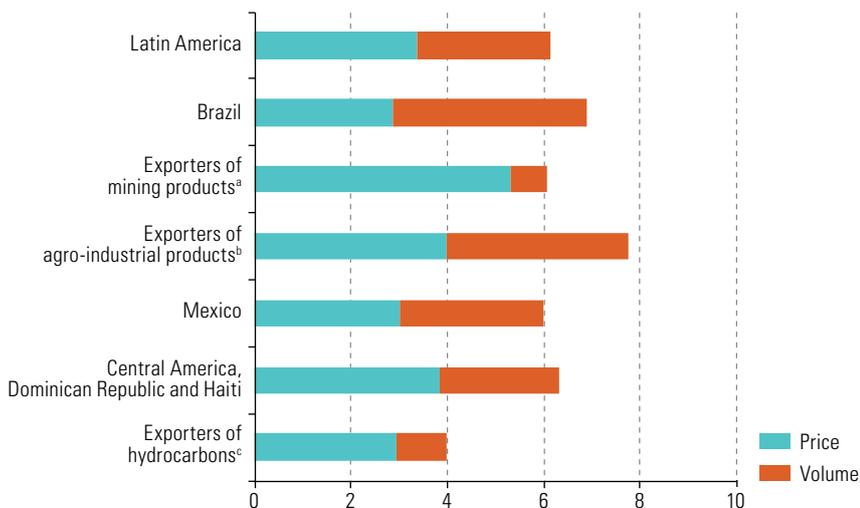
Latin America (13 countries):^a year-on-year variation in goods imports, 2013-2017
(Three-month moving average, in percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
^a Includes Argentina, Brazil, Chile, Colombia, Costa Rica, el Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.
^b Includes Chile, Colombia, Ecuador, Peru and Plurinational State of Bolivia.
^c Excludes Dominican Republic, Honduras and Panama.

Figure I.7

Latin America (selected countries and groupings): projected variation in goods imports by volume and price, 2017
(Percentages)



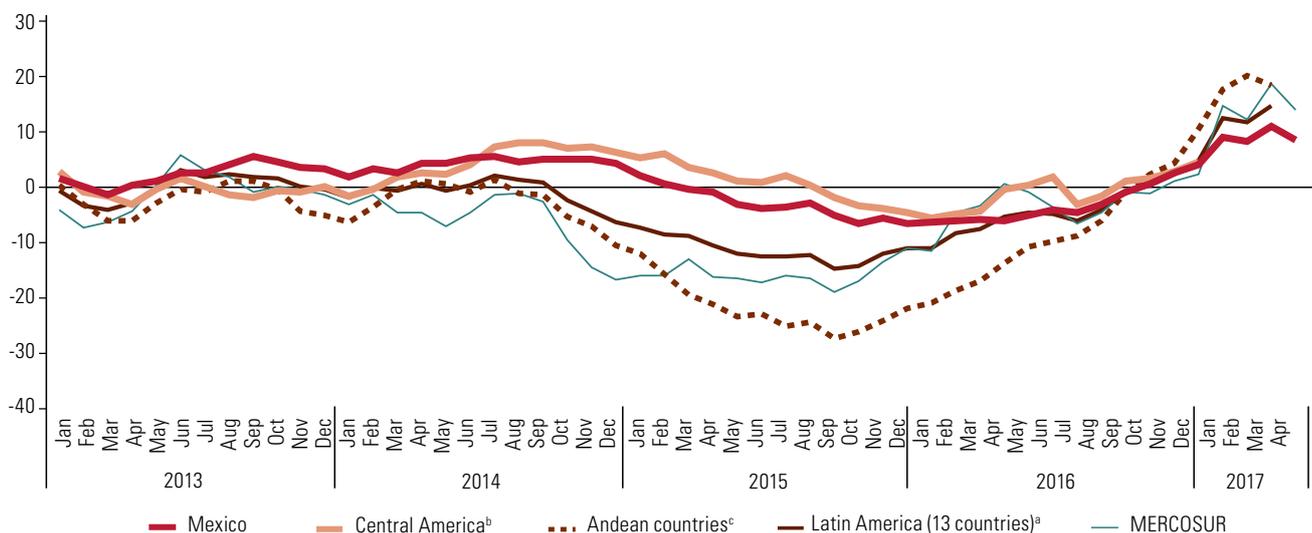
Source: Economic Commission for Latin America and the Caribbean (ECLAC).
^a Chile and Peru.
^b Argentina, Paraguay and Uruguay.
^c Bolivarian Republic of Venezuela, Colombia, Ecuador, and Plurinational State of Bolivia and Trinidad and Tobago.

On the export side, in 2016 the lower commodity prices resulted in a drop of 5% in the region's export prices, which exceeded the rise in volumes to yield a 3% drop in exports in value terms.

The economies whose exports are concentrated in hydrocarbons saw heavier contractions. This was the case of the Plurinational State of Bolivia (-19%), Colombia (-13%) and Ecuador (-9%), where not only prices but also volumes were down, by 9%, 1% and 2%, respectively. Among the mining countries, Peru offset a 4% drop in prices with a 12% increase in volume, while Chile's flat export volumes could not offset a 2% drop in export prices. The agro-industrial exporters saw a 5% price drop in their exports in 2016. Both Argentina and Paraguay were able to offset lower prices by exporting larger volumes (up 7% and 5%, respectively), but Uruguay posted a 2% contraction in export volumes, owing mainly to falls in soybean production.¹⁵ Exports were down in all the Central American countries, except Costa Rica. Exports were slightly down in the region's two largest economies, Brazil and Mexico (by 3% and 2%, respectively), owing chiefly to lower prices.

In 2017, a commodity price upturn, together with an increase in the volumes exported, will have a positive impact on regional exports, which could rise for the first time after four straight years of decline. According to official figures, in March exports were up by almost 15% year-on-year in the average for 13 countries of the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay) (see figure I.8). For the year overall, exports are projected to expand by 8%, reflecting a rise of 2% in volume and 6% in prices (see figure I.9).

Figure I.8
Latin America (13 countries):^a year-on-year variation in goods exports
(Three-month moving average, in percentages)



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

^a Includes Argentina, Brazil, Chile, Colombia, Costa Rica, el Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

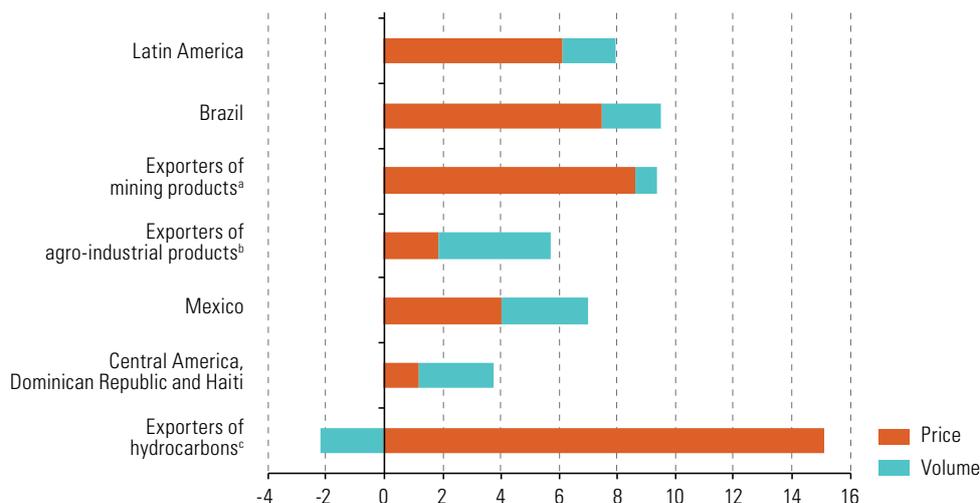
^b Excludes Dominican Republic, Honduras and Panama.

^c Includes Chile, Colombia, Ecuador, Peru and Plurinational State of Bolivia.

¹⁵ In 2016, a poor harvest resulted in a steep decline in Uruguayan soybean exports. However, a strong upturn in production has been seen in 2017.

Figure I.9

Latin America and the Caribbean (selected countries and groupings): projected variation in goods exports by volume and price, 2017 (Percentages)



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

^a Chile and Peru.

^b Argentina, Paraguay and Uruguay.

^c Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

In sum, the trade surplus is expected to widen in 2017, this time as a result of a better performance of exports than imports.

4. The services and income balances are expected to yield larger deficits in 2017, while the current transfers balance should yield a larger surplus given the gradual rise of remittance flows to the region

Consistently with the slacker economic performance and the decline in goods imports in most of the region's economies, debits on the services balance (imports) were down by 4% in 2016: imports of transport services fell by 6%, travel by 2% and other services by 3%. Meanwhile, tourist arrivals in the region rose by over 5% in 2016 and will see similar growth in 2017, according to figures from the World Tourism Organization (UNWTO).¹⁶ Credits from travel thus grew 6% on average, offsetting falls in exports of transportation and other services.

Overall, the services balance improved in 2016, as a result of a contraction of imports of services and flat growth of services exports, to reach a deficit of 0.9% of GDP, much smaller than the 2015 deficit. Conversely, the deficit on the services balance is expected to widen to 1.0% of GDP in 2017, reflecting an upturn in goods imports and in economic activity in general, which will push up services imports faster than growth in services exports.

The deficit on the income balance narrowed in 2015 and 2016, mainly because of falls in the prices of export commodities and, therefore, in the profits being repatriated by the transnational corporations operating in these sectors.¹⁷ Conversely, in 2017 the income balance is expected to widen again to 2.8% of GDP, given projections of an improvement in average commodity prices.

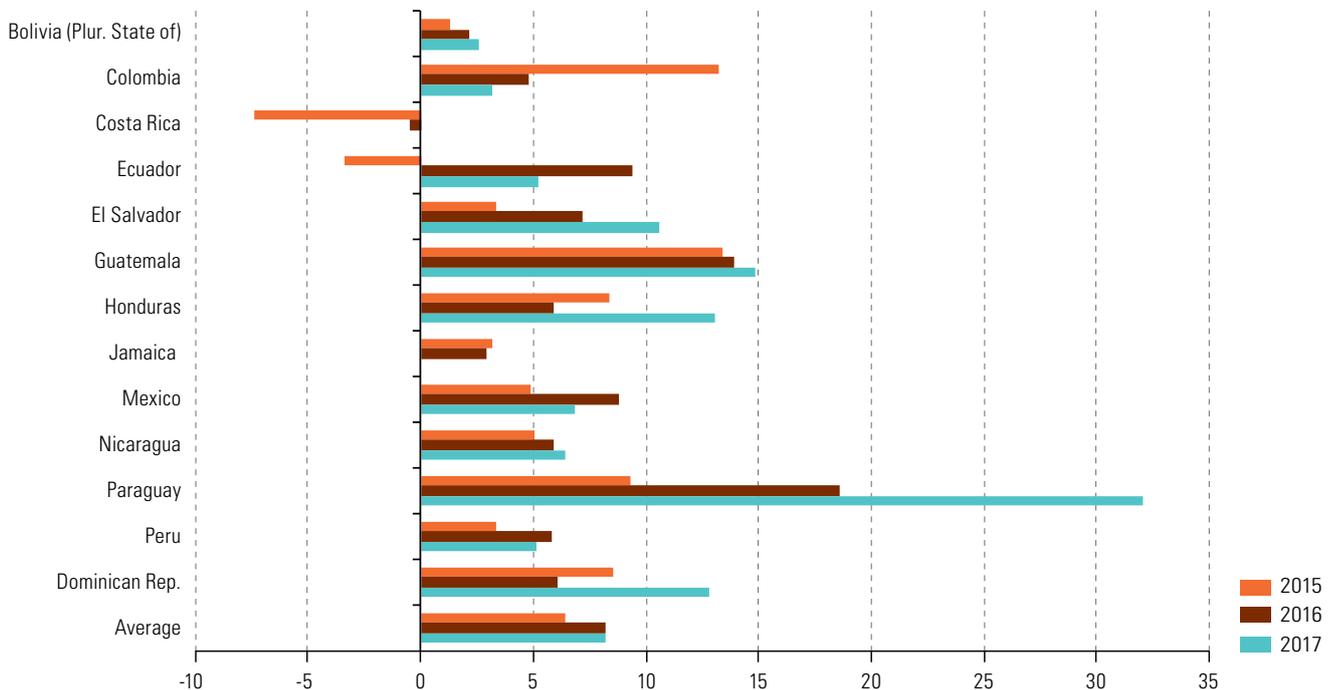
¹⁶ By subregion, tourist arrivals were up by 4.8% in the Caribbean, 5.7% in Central America, and 6.3% in South America (UNWTO, 2017).

¹⁷ The income balance has long been a structurally negative account in the region, as a result of outward remittances of profits on foreign direction investment (FDI) and interest on external debt.

The current transfers balance, which consists mainly of flows of migrant remittances and runs a structural surplus in the region,¹⁸ showed a surplus of 1.4% of GDP in 2016. That surplus is expected to rise to around 8% in 2017, although it will hold steady in GDP terms. In the early months of 2017, remittances have in fact shown a rise of 8% over the same period in 2016, partly owing to stronger economic activity in some of the originating countries (see figure I.10).¹⁹ In particular, in Paraguay remittances were up by 32% year-on-year in the period from January to March. Although Spain is the main originating economy of remittances to Paraguay, in the first quarter of the year remittances from Argentina tripled their prior-year figure, so that Argentina displaced the United States as second largest remitter to Paraguay.

Figure I.10

Latin America and the Caribbean (selected countries): year-on-year variation in income from migrant remittances, 2015–2017^a
(Percentages)



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

^a The figures for 2017 refer to the period January–May in the case of Guatemala and January–April in the case of Brazil, Colombia, El Salvador, Honduras, Mexico, Nicaragua and Plurinational State of Bolivia. In the case of Dominican Republic, Ecuador, Paraguay and Peru, the period is January to March. No data were available for 2017 for the rest of the countries at the time of writing.

5. Financial flows are expected to pick up slightly in 2017, thanks to more benign global financial conditions, and should be sufficient to cover the current account deficit

Capital flows into the region contracted by around 10% on average in 2016,²⁰ but this chiefly reflected the figures for Brazil since, if this country is excluded, total flows to the rest of the economies expanded by over 20%.

¹⁸ The surplus on the current transfers balance, measured in dollars, usually rises year-on-year, barring exceptions such as 2009, when remittance flows into the region fell amid the global economic and financial crisis.

¹⁹ The United States is the main country of origin of remittances for all the countries included in figure I.10, with the exception of the Plurinational State of Bolivia and Paraguay, for which Spain is the largest country of origin.

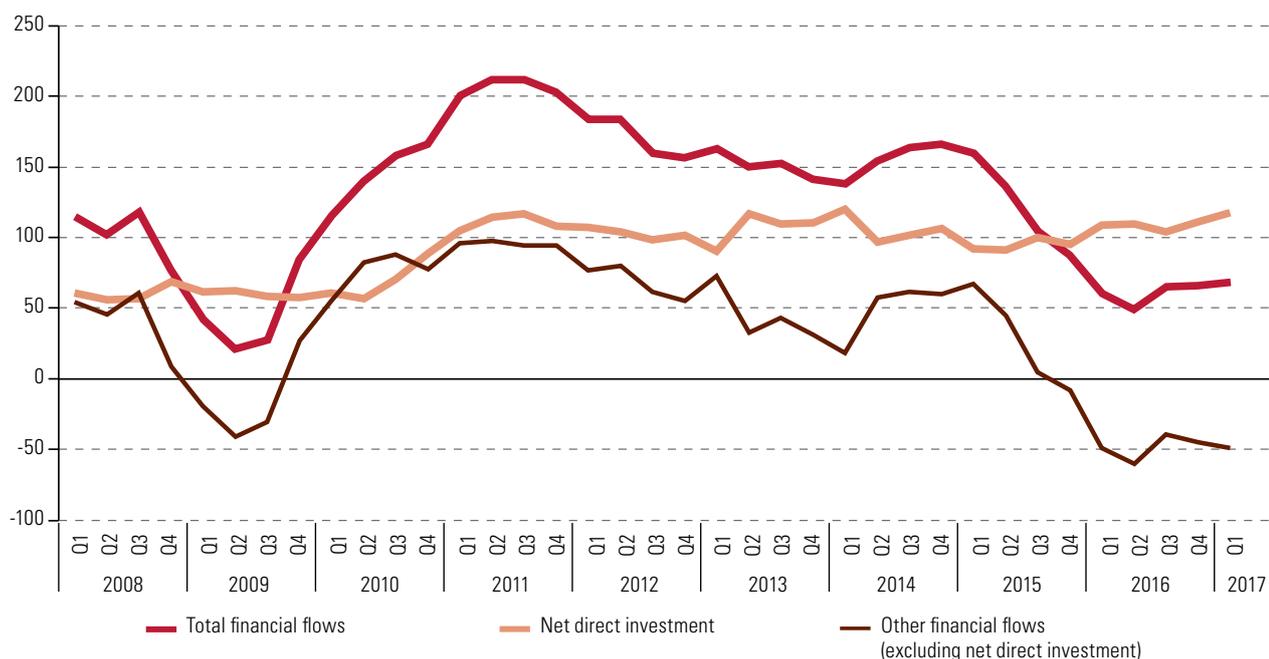
²⁰ These figures do not include the Bolivarian Republic of Venezuela, since no information is available for the country in this sphere.

As is usual, net foreign direct investment (FDI) was the largest component of the financial flows into the region overall in 2016, growing 8% with respect to the previous year to reach some US\$ 140.893 billion. By contrast, net outflows of other components of the financial account rose considerably in 2016 (from US\$ 1.70 billion in 2015 to some US\$ 25.0 billion in 2016). However, Brazil's net outflows of over US\$ 38.0 billion weighed heavily in that total; for the region excluding Brazil, net financial flows (excluding direct investment) rose by around US\$ 13.3 billion in 2016.²¹

In the first quarter of 2017, capital flows picked up by around 15% compared with the year-earlier period, according to figures for four countries of the region (see figure I.11).²² For the year overall, net flows are expected to more than cover the current account deficit, so that the region as a whole should build up international reserves, as in 2016.

Figure I.11

Latin America (4 countries):^a net direct investment flows and other financial flows, first quarter of 2008–first quarter of 2017
(Billions of dollars)



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

^a Brazil, Chile, Mexico and Peru.

6. The region's sovereign risk has continued on the downtrend begun in February 2016 and stood at 426 basis points in May 2017

As some of the tension in global financial markets eased, in the early months of 2017 the region's average sovereign risk continued on the downtrend begun in February 2016. Between January and the end of May 2017, the Emerging Market Bond Index Global (EMBIG) for the region came down by 47 basis points to reach 426 points.

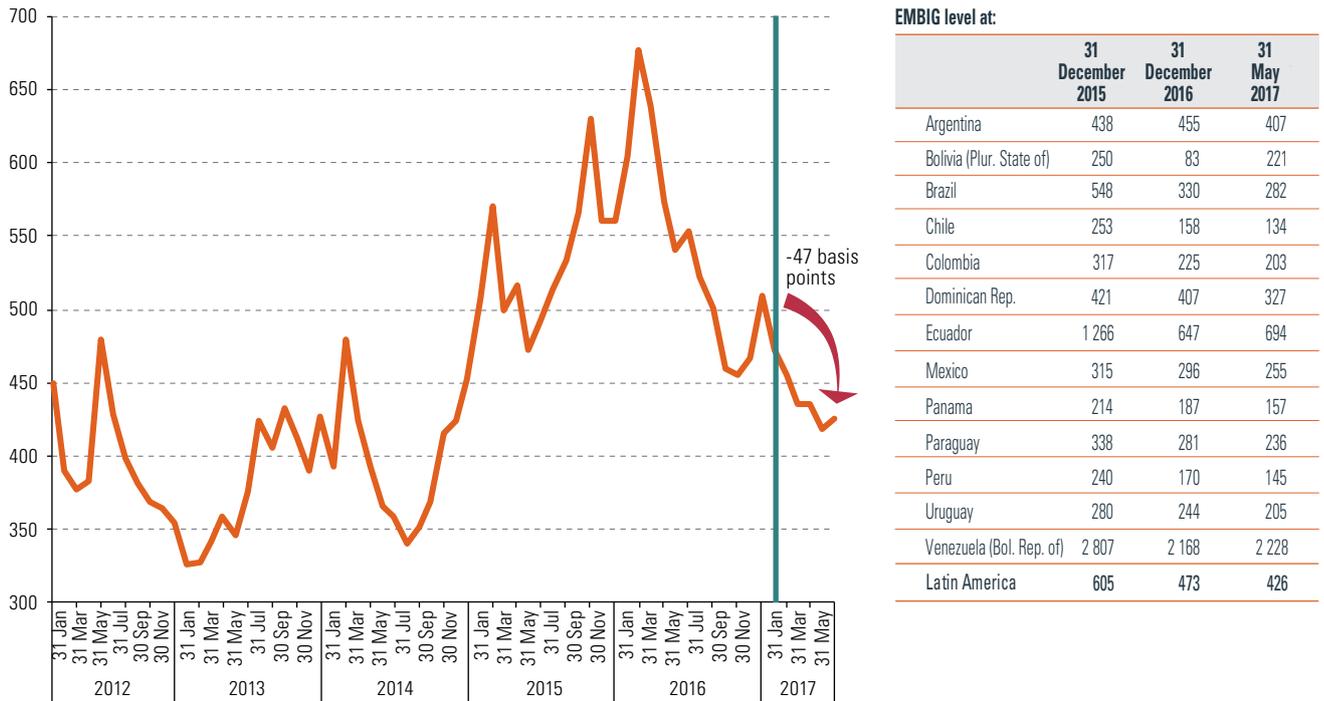
²¹ Argentina stands out, with net inflows of financing other than direct investment rising by almost US\$ 24.0 billion in 2016. The government's tax amnesty on the declaration of offshore funds in 2016 undoubtedly influenced that result.

²² At the time of writing, Brazil, Chile, Mexico and Peru had published balance-of-payments data for the first quarter of 2017. Financial flows into these four countries represent a large proportion of the regional total: in 2016 net FDI into these four economies represented almost 80% of total net FDI received by the region overall.

The lower regional figure reflects a decrease in sovereign risk in almost all the countries, with the exception of the Bolivarian Republic of Venezuela, Ecuador and the Plurinational State of Bolivia, whose risk has risen in 2017 (see figure I.12).

Figure I.12

Latin America (13 countries): sovereign risk according to the Emerging Market Bond Index Global (EMBIG), January 2012–May 2017
(Basis points)



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

7. International debt issuance by the countries of the region was slightly down in the period January–May compared with the year-earlier period, mainly reflecting the combination of smaller issues by Argentina and Mexico and a surge in issues by Brazil

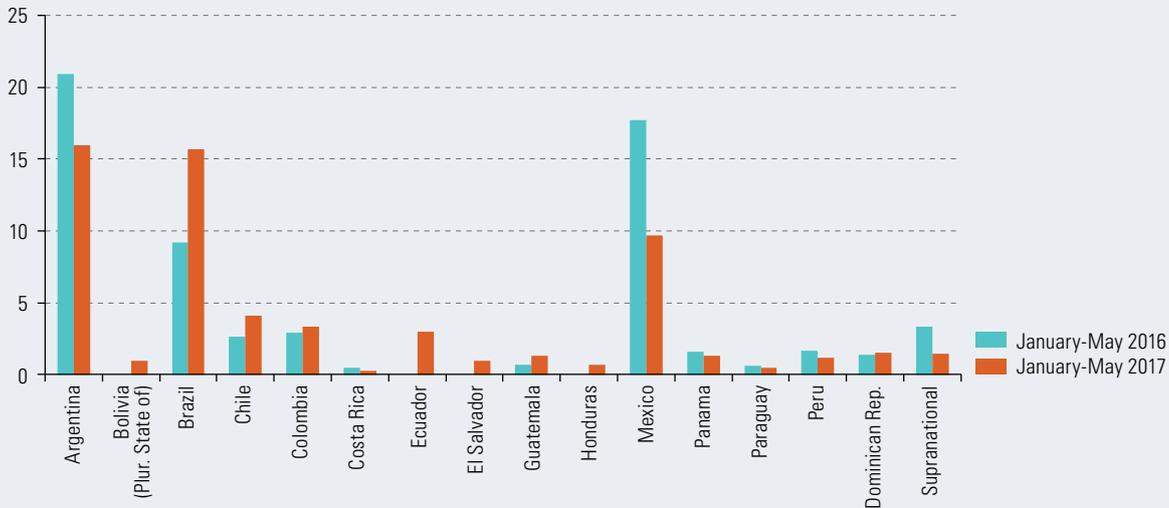
In January–May 2017, debt issues by countries of the region on the international markets were 2% down on the same period in 2016. The largest drops were in Argentina and Mexico (see figure I.13).

In the case of Argentina, 2016 offered a very high basis for comparison in some sectors. ECLAC (2016b) reported on large issuances of debt by Argentina in 2016, mainly by the sovereign sector, but also by the corporate and quasi-sovereign sectors (the provinces), after the settlement of the long-running dispute with holdout investors.²³ Although the private sector and the banks have increased their issues substantially in 2017 (ninefold and fourfold, respectively, in January–May 2017 compared with the prior-year period), these increases have not offset the decline in sovereign issues, so that total issuance is down by 25%.

²³ See ECLAC (2016b).

Figure I.13

Latin America (16 countries): debt issuance on international markets, January-May 2016 and January-May 2017
(Billions of dollars)



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

In the case of Mexico, in the first 5 months of 2017 total issues were almost 45% lower than in the same period of 2016, with significant declines across almost all sectors, except the banks.

Brazil stands out among the countries whose debt issuances have increased, with a year-on-year jump of 70% in January-May 2017. The largest increase occurred in the corporate sector, whose issues increased sixfold in that period, although the quasi-sovereign sector also saw a rise of 33%, reflecting issues by the oil company Petrobras and the Brazilian National Bank for Economic and Social Development (BNDES).

A number of countries have rejoined the external bond market in 2017 after long absences. This is the case of the Plurinational State of Bolivia and Honduras, which had not issued international securities since 2013 and returned to the markets with sovereign issues for US\$ 1.0 billion and US\$ 700 million, respectively.

By sector, cumulative issues in the first five months of 2017 compared with the same period of 2016 show a large increase in the banking sector (150%) and the private sector (100%). Quasi-sovereign issues were up by 2%, and supranational issues contracted by 56%. Sovereign issues were down as well, by almost 30%.²⁴ This reflected large issues of sovereign debt by Argentina in April 2016 after agreement was reached with dissident creditors, which were not repeated in 2017. In fact, leaving Argentina out of the regional figures shows sovereign issues rising 3% in that five-month period.

²⁴ The quasi-sovereign sector includes public sector development banks and State-owned enterprises, among other entities. The supranational sector includes regional development banks, such as the Development Bank of Latin American (CAF) and the Central American Bank for Economic Integration (CABEI).

C. The evolution of global liquidity

1. Global liquidity expanded less dynamically overall than in 2015

Analysis of the evolution of global liquidity in the period 2000-2016, including banking and debt markets, reveals a marked slowdown in the average rate of expansion from 2012 onward, as this fell from 3.9% that year to 2.8% in 2015 and 2.15% in 2016, entrenching a much lower level of average growth than before the global financial crisis of 2008-2009. The rate of increase in worldwide lending to the non-financial sector rose from 8.87% to 12.76% between 2000 and 2007 before dropping back to 3.15% between 2010 and 2016 (see figure I.14).



Figure I.14
Global liquidity growth, 2000-2016
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Bank for International Settlements (BIS), 2017.

Note: Liquidity comprises total lending by the banking systems of the United States, Europe and Japan and outstanding debt issues on international markets there.

This finding reflects the behaviour of global bank lending, whose average growth rate dropped from 5.0% to 0.5% between 2015 and 2016. Conversely, the debt market maintained a growth rate close to the previous year's (8.3% in 2016, as against 10.2% in 2015). Furthermore, in the period from 2010 to 2016, following on from the global financial crisis, the debt market grew at a rate similar to that of the pre-crisis period (see figure I.15). Debt financing has in any event increased significantly as a share of total lending to non-residents, rising from 38% of the total in 2007 to 48% in 2016.

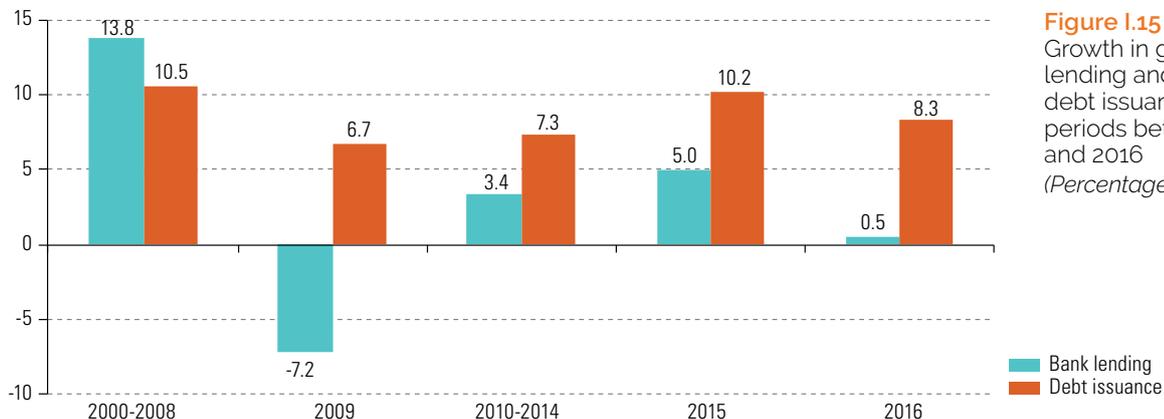


Figure I.15
Growth in global bank lending and outstanding debt issuance, selected periods between 2000 and 2016
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Bank for International Settlements (BIS), 2017.

2. The behaviour of bank lending is explained by the diminishing role of global banks as providers of global liquidity

The decline of global banks as suppliers of liquidity has been due to the deleveraging they have gone through since the global financial crisis.²⁵ Table I.3 presents leverage ratios for a sample of the largest banks in the United States, Europe and Asia (55, 45 and 76 banks, respectively) with different levels of assets in the periods 2000-2007 and 2010-2016 and in 2016. For the purposes of comparison, a sample of 39 banks in Latin America and the Caribbean has been included.²⁶

Table I.3

Average return on assets (ROA), return on equity (ROE) and leverage of banks in Latin America, the United States, Europe and Asia, weighted by 2016 assets, 2000-2016

Assets per bank (dollars)		Latin American banks			United States banks		
		More than 100 billion	Between 20 billion and 100 billion	Less than 20 billion	More than 800 billion	Between 100 billion and 800 billion	Less than 100 billion
Number of banks in category		5 banks	14 banks	20 banks	9 banks	10 banks	36 banks
2000-2007 ^a	ROA (percentages)	2.0	1.8	0.8	1.0	1.5	1.2
	ROE (percentages)	26.2	18.2	7.2	15.9	16.0	13.2
	Leverage	14.1	10.3	10.7	18.1	12.6	11.5
2010-2016	ROA (percentages)	1.3	1.7	2.1	0.6	0.9	0.8
	ROE (percentages)	17.8	17.8	19.5	6.4	7.7	6.8
	Leverage	14.3	10.4	9.8	13.9	8.8	9.3
2016	ROA (percentages)	1.0	1.5	1.7	0.6	1.0	0.9
	ROE (percentages)	12.3	15.3	15.6	5.8	8.8	7.7
	Leverage	13.5	10.2	10.4	12.1	9.0	9.4
Assets per bank (dollars)		European banks			Asian banks		
		More than 1 trillion	Between 300 billion and 1 trillion	Less than 300 billion	More than 1 trillion	Between 300 billion and 1 trillion	Less than 300 billion
Number of banks in category		8 banks	13 banks	24 banks	8 banks	13 banks	55 banks
2000-2007 ^b	ROA (percentages)	0.7	0.7	0.7	0.6	0.9	1.4
	ROE (percentages)	15.9	14.8	13.4	13.1	18.3	15.3
	Leverage	23.7	22.9	25.2	21.4	21.5	13.1
2010-2016	ROA (percentages)	0.2	0.2	0.1	1.0	0.9	1.0
	ROE (percentages)	4.5	3.5	2.3	15.8	15.7	10.2
	Leverage	20.3	18.1	21.9	16.2	16.0	12.2
2016	ROA (percentages)	0.2	0.1	0.1	0.8	0.8	0.9
	ROE (percentages)	3.8	0.8	2.3	12.3	12.7	8.4
	Leverage	17.6	16.5	18.8	14.7	15.3	11.6

Source: Economic Commission for Latin America and the Caribbean (CEPAL), on the basis of information from Bloomberg.

^a The data are for the period 2006-2007 in the case of Latin American banks with assets of over US\$ 100 billion.

^b The data are for the period 2004-2007 in the case of Asian banks.

²⁵ Shin (2013) distinguishes between a first phase of global liquidity (pre-global financial crisis) and a second phase (post-global financial crisis).

²⁶ In the case of the United States, the sample includes banks with assets of over US\$ 800 billion, banks with assets of between US\$ 100 billion and US\$ 800 billion, and banks with assets of less than US\$ 100 billion. In the case of Europe, it includes banks with assets of over US\$ 1 trillion, banks with assets of between US\$ 300 billion and US\$ 1 trillion, and banks with assets of below US\$ 300 billion. In the case of Asia, lastly, it includes banks with assets of over US\$ 1 trillion, banks with assets of between US\$ 300 billion and US\$ 1 trillion, and banks with assets of below US\$ 300 billion.

The evidence reveals deleveraging in the financial sectors of the United States, Europe and Asia across the whole range of bank size classes as measured by assets. In the United States and Europe, the largest declines in leverage have been at the banks with the greatest volumes of assets.

In the United States, banks with assets of more than US\$ 800 billion and of between US\$ 100 billion and US\$ 800 billion cut their leverage by an average of 4 percentage points between the periods 2000-2007 and 2010-2016. Conversely, banks in the class with the lowest level of assets (below US\$ 100 billion) reduced their leverage by an average of 2 points.

Much the same happened in Asia, with banks in the top two size brackets by assets reducing their leverage by 5 points between the periods 2000-2007 and 2010-2016 and the smallest banks by assets doing so by less than 1 point.

In 2016, banks in the United States, Europe and Asia were less highly leveraged on the whole than the average for the period 2007-2015. This may indicate that lower leverage has become a settled rule of business for the leading banks in these regions.

Lower leverage has come with lower returns, particularly at United States and European banks. This reflects the fact that in these two cases the financial system formerly operated essentially by way of a leveraging strategy to maximize profits. Between the periods 2000-2007 and 2010-2016, average profits as measured by return on equity dropped by virtually 50% in the United States and collapsed by far more, some 78%, in Europe.

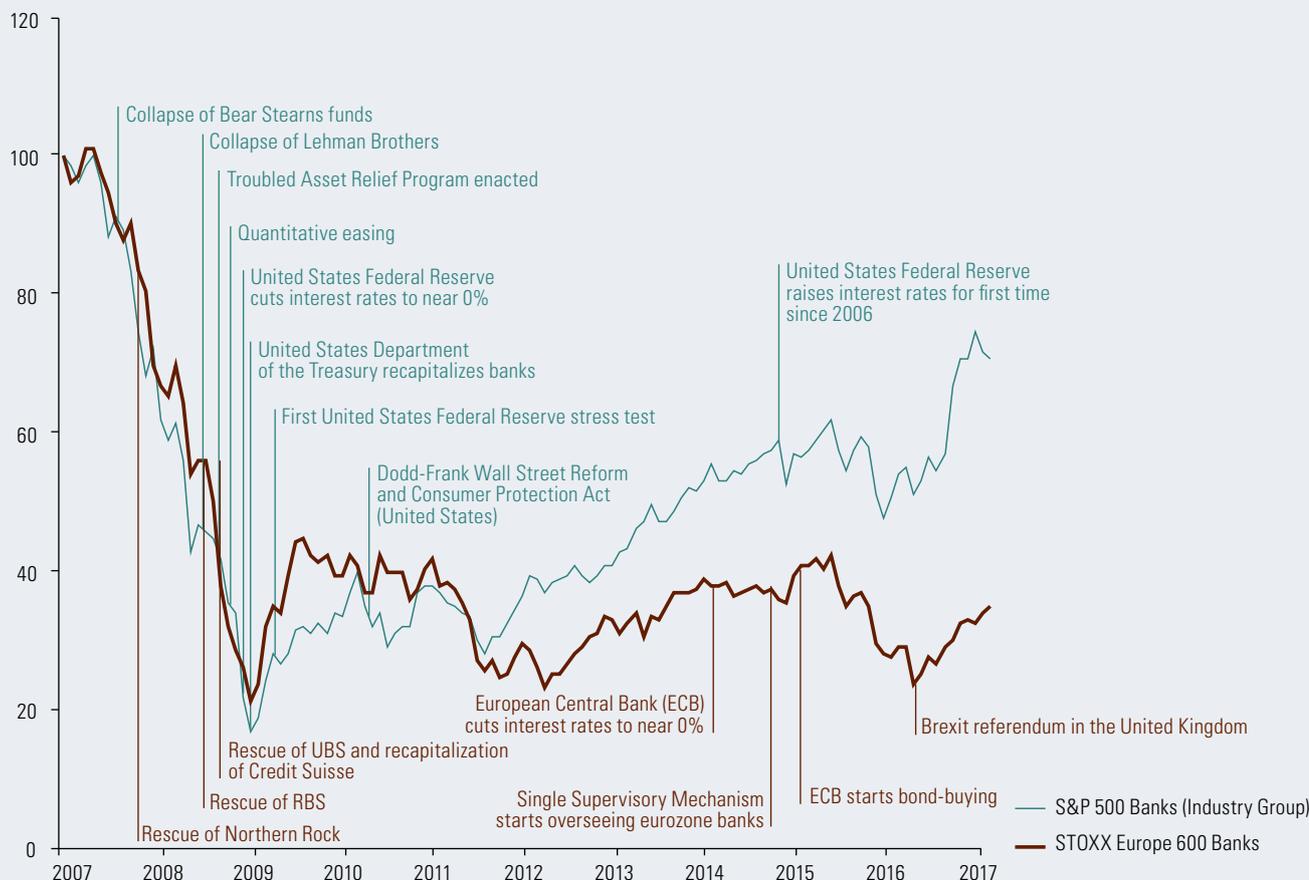
By way of comparison, the record of banks in Latin America and the Caribbean has been very different. For one thing, average leverage did not change significantly between the periods before and after the global financial crisis: taking the three groups of banks identified in descending order of assets, leverage ratios were 14.1, 10.3 and 10.7 in the period 2000-2007 and 14.3, 10.4 and 9.8 in the period 2010-2016. For another, profitability as measured by return on equity has been affected only at the largest institutions, dropping by 32% for Latin American banks with assets over US\$ 100 billion but just 2% for those with assets of between US\$ 20 billion and US\$ 100 billion. For banks in the lowest asset class (less than US\$ 20 billion), profits actually rose on average from 7.2% to 19.5% of assets.

The reductions in leverage and profitability at the global banks have been reflected by a drop in their market value. Figure I.16 presents movements in United States and European global bank stock market indices between 2007 and 2017. The figures show large falls in both indices from 2007 and a recovery from 2012. Between 2007 and 2009, the stock market index fell by about 80% for the United States and Europe. Notwithstanding the recovery from 2012, United States and European banks have yet to revisit the levels of market capitalization they had in 2007. As of end-April 2017, the stock market indices for the European and United States banking systems stood at 29% and 63%, respectively, of their 2007 levels.

Figure I.16

Share price indices for the United States and European banking systems, 2007-2017

(Base: 2007=100)



Source: Economic Commission for Latin America and the Caribbean (CEPAL), on the basis of information from Bloomberg.

Note: The S&P 500 Banks and STOXX Europe 600 Banks indices capture bank stock market capitalizations. Market capitalization is the price of shares multiplied by their number. These indices measure the performance of a wide array of financial institutions on the stock markets of the United States and 18 European countries, respectively.

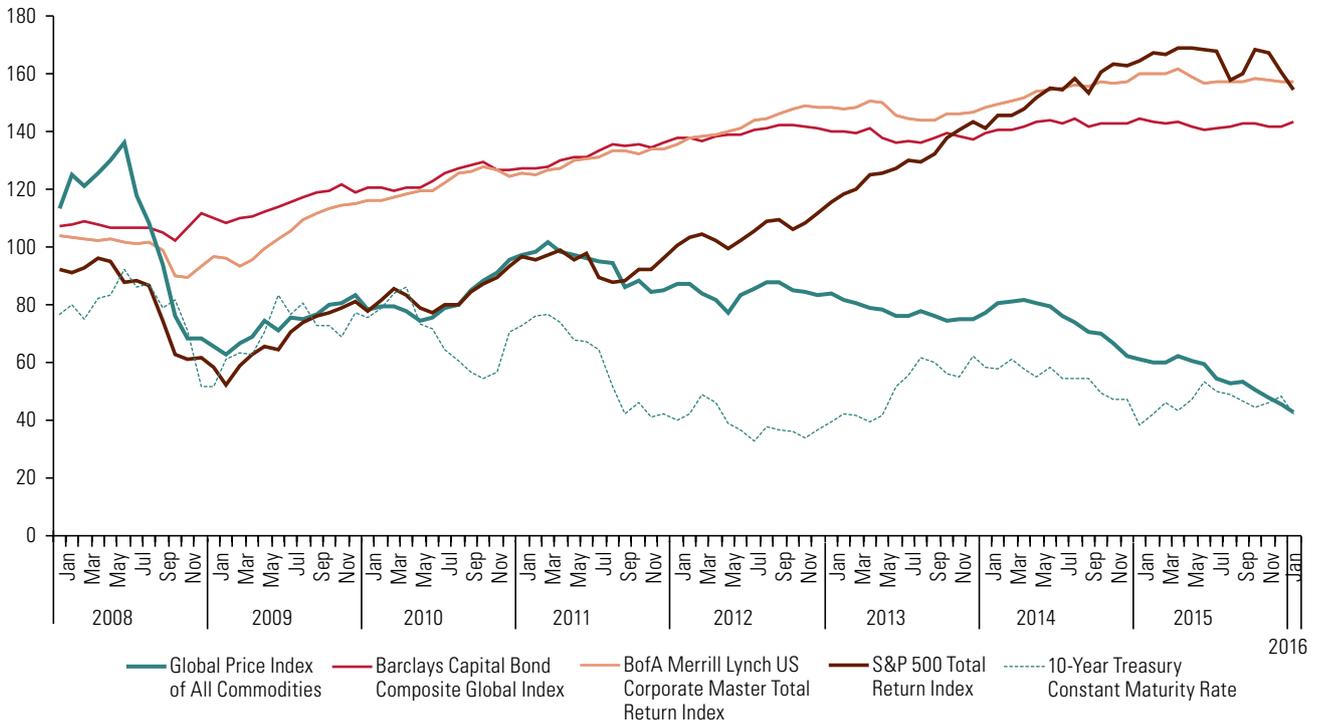
3. The growth of the international bond market has been driven by rising returns in a low interest rate environment

Growth in debt issuance has been accounted for on the demand side by international investors' risk appetite and search for yield. Figure I.17 shows the evolution of indices of international bond yields (Barclays Capital and Merrill Lynch), shares (S&P 500), commodities and Treasury bills for the period from January 2008 to January 2016. The data show a clear upward trend in the indices of international bond yields (Barclays Capital and Merrill Lynch) and shares (51% between January 2008 and January 2016). Conversely, returns on the Treasury bill index declined by 51% between the two data points.

On the supply side, high commodity prices and favourable exchange rates were initially key determinants in the growth of external debt within the Latin American non-financial corporate sector. Since the commodity price fall, the decline in the risk premium for emerging economies and Latin America and the Caribbean has been an incentive for them to increase their borrowings. In the case of Asia, the fact that banks did not experience the large drops in profitability seen in the United States and Europe after the global financial crisis may have contributed to the rise in borrowings in this sector.

Figure I.17

Indices of international bond yields (Barclays Capital and Merrill Lynch), shares (S&P 500), commodities and Treasury bills, January 2008 to January 2016
(Base: January 2008=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), 2016.

4. The bulk of the international bond market is in the developed economies, although the share of developing ones has risen

Developed economies account for the great bulk of the global bond market (87% in 2016). Developing economies have increased their share of total and international debt securities, however, with stocks of these rising from some US\$ 500 billion to more than US\$ 2 trillion between 2000 and 2016.

At the country level, the main issuers of international debt are China, Brazil, the Russian Federation, Mexico, the Republic of Korea, Turkey and India. A breakdown by sectors clearly reveals common regional trends but also significant differences between the different developing regions.

An analysis of the data available from the different developing regions shows that Asia and the Pacific and Latin America and the Caribbean account for the bulk of international debt issuance.

At the sector level, the figures show that debt issuance by the government sector has declined and that the financial sector is a large and growing presence as an issuer of international securities in all regions of the developing world (see table I.4). The share of the financial sector (banks and other financial companies) in total debt issuance in Latin America and the Caribbean is the lowest of any developing region. On the figures available, the financial sector accounted for 70% of international debt issuance in Asia and the Pacific, 54% in Africa and the Middle East, 43% in developing Europe and 35% in Latin America and the Caribbean.

Table I.4
Regions of the
developing world:
international debt
issuance by institutional
sector, 2000–2016
(Percentages of total)

	2000	2005	2010	2012	2016
Latin America					
Banks	6.2	5.4	10.2	14.8	14.3
Other financial companies	6.2	13.5	18.8	19.7	20.9
Non-financial companies	15.2	12.6	21.6	26.5	30.0
Government	72.4	68.6	49.4	39.0	34.8
Africa and Middle East					
Banks	3.2	13.9	11.9	15.2	19.3
Other financial companies	19.7	33.1	37.8	36.5	34.6
Non-financial companies	32.0	22.6	24.7	24.1	21.4
Government	45.1	30.4	25.5	24.2	24.7
Developing Europe					
Banks	2.0	9.5	19.5	25.5	28.6
Other financial companies	15.5	17.6	20.4	16.3	14.7
Non-financial companies	0.8	6.2	9.6	10.1	11.4
Government	81.7	66.7	50.6	48.1	45.2
Asia and the Pacific					
Banks	25.9	25.8	30.6	32.3	35.0
Other financial companies	21.2	24.9	30.9	31.8	35.2
Non-financial companies	33.6	30.0	22.4	20.9	18.6
Government	19.3	19.2	16.0	15.0	11.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Bank for International Settlements (BIS), 2016; Pérez Caldentey (2017).

Conversely, the non-financial corporate sector has become the largest issuer of securities in Latin America and the Caribbean after governments, with shares of 30.0% and 34.8%, respectively, in 2016. Outstanding debt issued by non-financial corporations in the region rose from US\$ 58 billion to US\$ 96 billion between 2000 and 2008 and from US\$ 96 billion to US\$ 435 billion between 2009 and 2016.

5. The increased involvement of developing economies in the bond market has raised their borrowing

The data available for the period 2000–2016 show that average private sector debt in developing economies as a share of GDP has been growing since late 2008. Between 2008 and 2016, the ratio of private sector debt to GDP rose from 76.5% to 142.5% in these economies (see figure I.18). Conversely, the ratio in developed economies hardly changed over the period, rising only from 163.6% in 2008 to 165.0% in 2016.

World liquidity growth has witnessed a marked slowdown since the global financial crisis. This is partly explained by the process of deleveraging and asset contraction at global banks. At the same time, the composition of global liquidity has changed, providing a greater role for the bond market as a source of finance. Along with other factors, this has had major effects on developing economies, including those of Latin America and the Caribbean. More specifically, Latin America has witnessed a greater use of bond market financing by non-financial corporations. The new global financial landscape raises important issues for these economies. One issue with implications for global financial stability is the question of whether global banks will remain content with their current level of profitability or seek new strategies to increase returns.

A second issue is the need to understand the mechanism of transmission between interest rates, bond prices and exchange rates, something that is highly relevant at a time when the Federal Reserve is planning to reduce its balance sheet. An economic cycle driven by bank lending may differ significantly from one driven by changes in interest rates and bond prices. A related issue is the need to assess the implications of corporate leverage for the productive sector, including its relation to profitability and to the dynamics of investment.

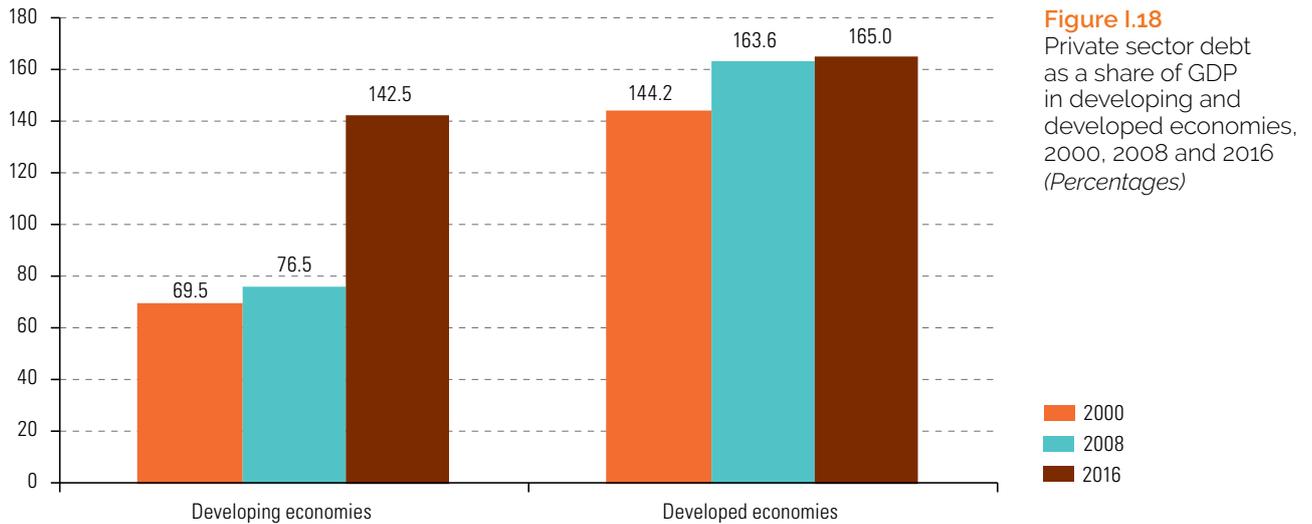


Figure I.18
Private sector debt as a share of GDP in developing and developed economies, 2000, 2008 and 2016 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Bank for International Settlements (BIS), 2017.

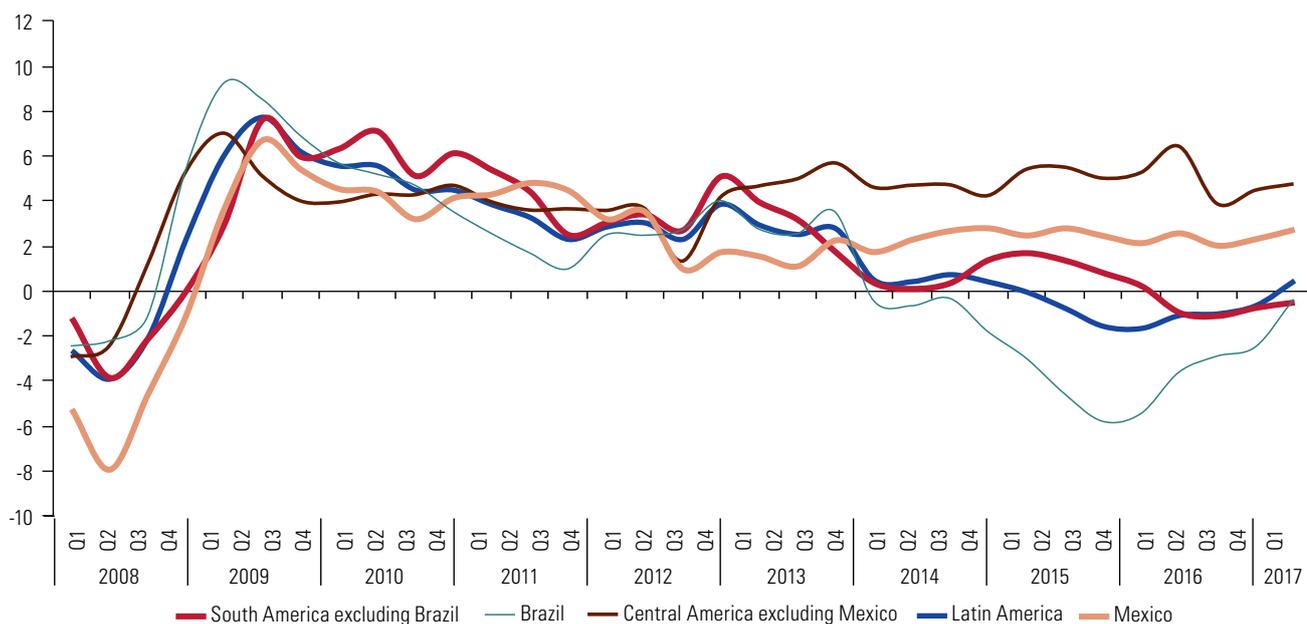
D. Domestic performance

1. The economic contraction is ending: growth is picking up slowly in Latin America, with mixed trends across countries

Following the 1.1% decline in Latin America's GDP in 2016, indicators available for the first few months of 2017 suggest that the region's countries will move onto a positive growth path. The regional economy rose by 0.4% year-on-year in the first quarter of 2017, compared with average year-on-year quarterly GDP growth of -0.9% in the last three quarters of 2016 (see figure I.19).

Figure I.19

Latin America: year-on-year change in quarterly GDP, weighted averages, first quarter of 2009–first quarter of 2017^a
(Percentages based on dollars at constant 2010 prices)



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

^a Projections.

The first signs of a possible shift from contraction to growth in Latin America's GDP appeared in the second quarter of 2016, when seasonally-adjusted regional GDP edged up 0.12% compared with the previous quarter after declining in the previous five months. This trend was confirmed in the fourth quarter of 2016 (0.01%) and strengthened further in the first quarter of 2017 (0.73%). In that period, the improved momentum in regional economic activity overall derived mainly from upturns in Argentina and Brazil.

2. Domestic demand is growing, fuelled by stronger investment and, to a lesser extent, by private consumption

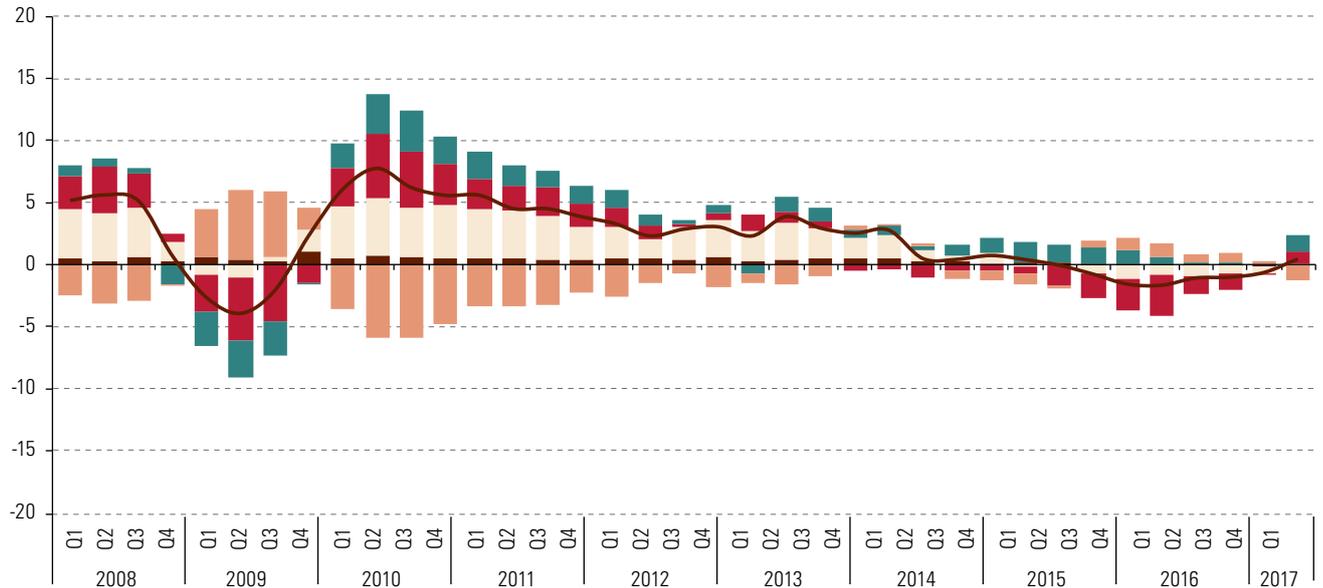
Regional domestic demand grew by 0.9% in the first quarter of 2017, owing to a 4.7% increase in investment and, to a lesser extent, a rise in private consumption (0.1%) offsetting a fall in public consumption (-0.9%). This small upturn in domestic demand was a continuation of the recovery that began in 2016 when, although the overall variation

was a contraction of 2.0%, the rate improved steadily over the year from -4.3% in the first quarter to -0.7% by the fourth quarter. Although the 2016 performance derives from trends in both investment and private consumption, the former had a bigger negative impact on growth (see figure I.20A).

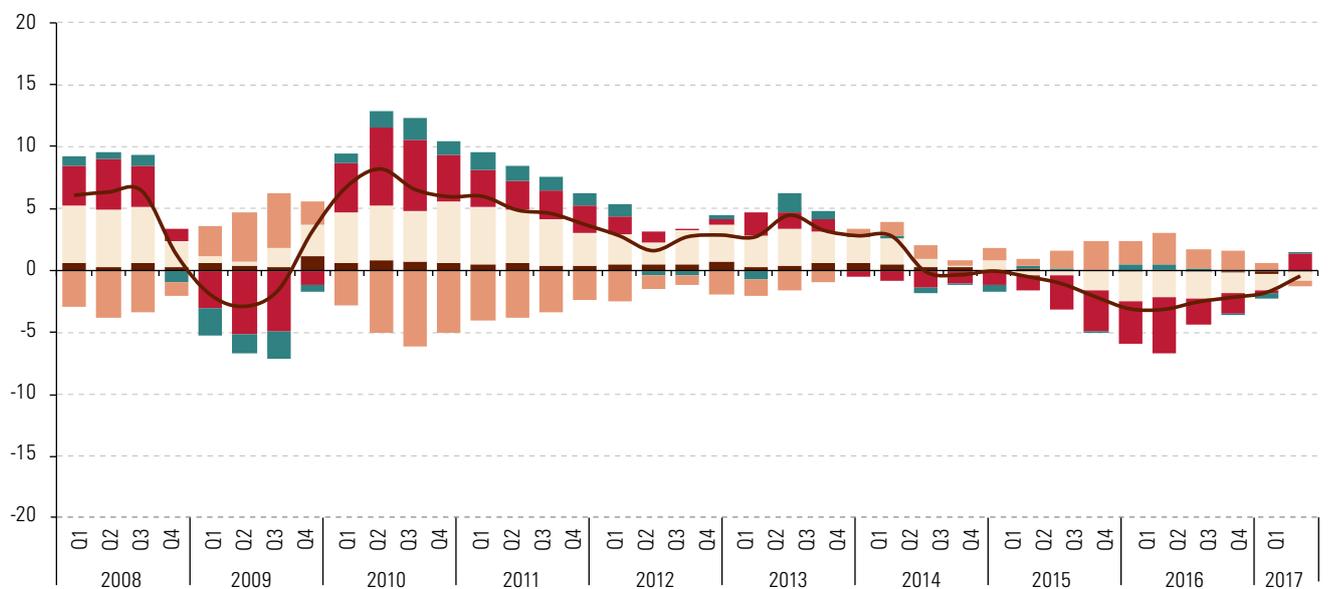
Figure I.20

Latin America: GDP growth rates and contribution by expenditure components to growth, first quarter of 2008–first quarter of 2017
(Percentages)

A. Latin America

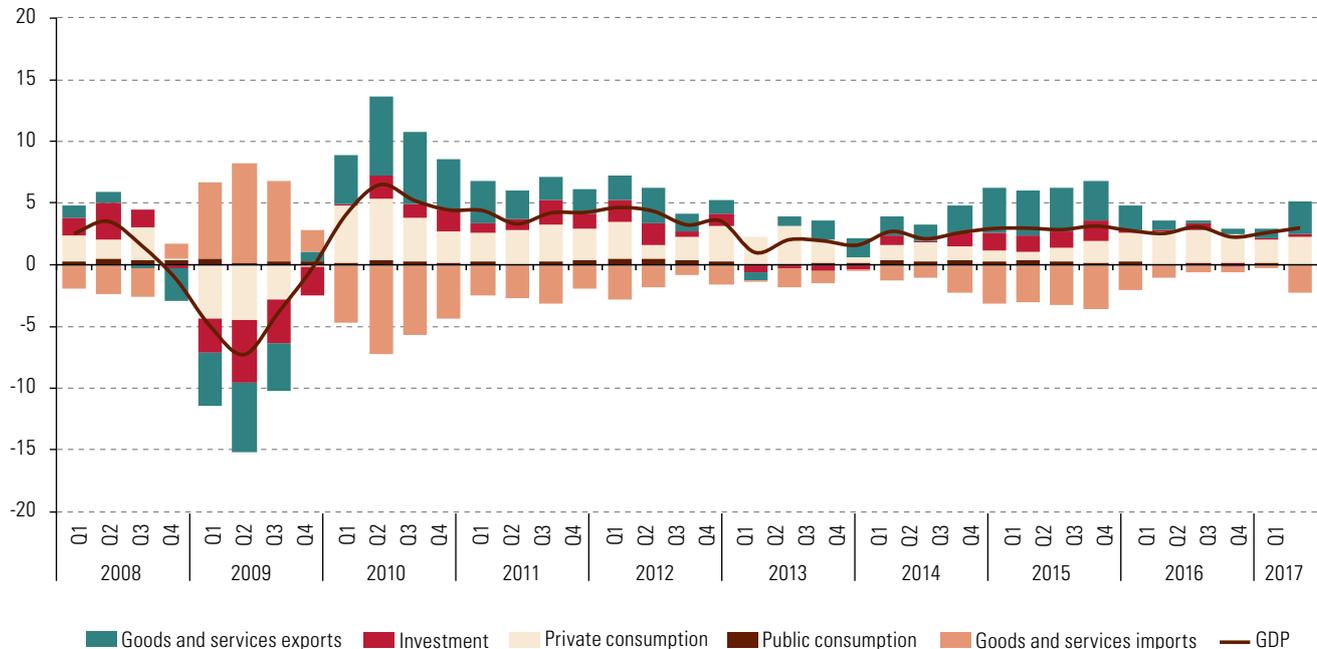


B. South America



Legend: Goods and services exports (teal), Investment (red), Private consumption (light orange), Public consumption (dark brown), Goods and services imports (orange), GDP (brown line)

Figure I.20 (concluded)

C. Central America and Mexico

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

Private and public consumption contracted by 1.1% and 0.7%, respectively, in 2016. Private consumption was affected by weaker growth in domestic credit as well as considerable and widespread deterioration in the labour market, which resulted in the largest increase in the urban unemployment rate in Latin America and the Caribbean in 20 years. Meanwhile, the fiscal adjustments implemented by the region's governments weighed on public consumption.

After falling for 13 consecutive quarters, at an average annual rate of 5.9%, investment in the region climbed by 4.7% in the first quarter of 2017, owing mainly to stocks and also an increase in investment in construction and in machinery and equipment. At the subregional level, national accounts for the first quarter of 2017 have confirmed that investment is growing in South America, up 6.3% compared with the year-earlier period, and was the main driver of quarterly GDP growth (see figure I.20B). In the same period, investment in Central America and Mexico edged up only slightly (0.5%) year-on-year, which confirmed the deceleration in growth already seen in 2016.

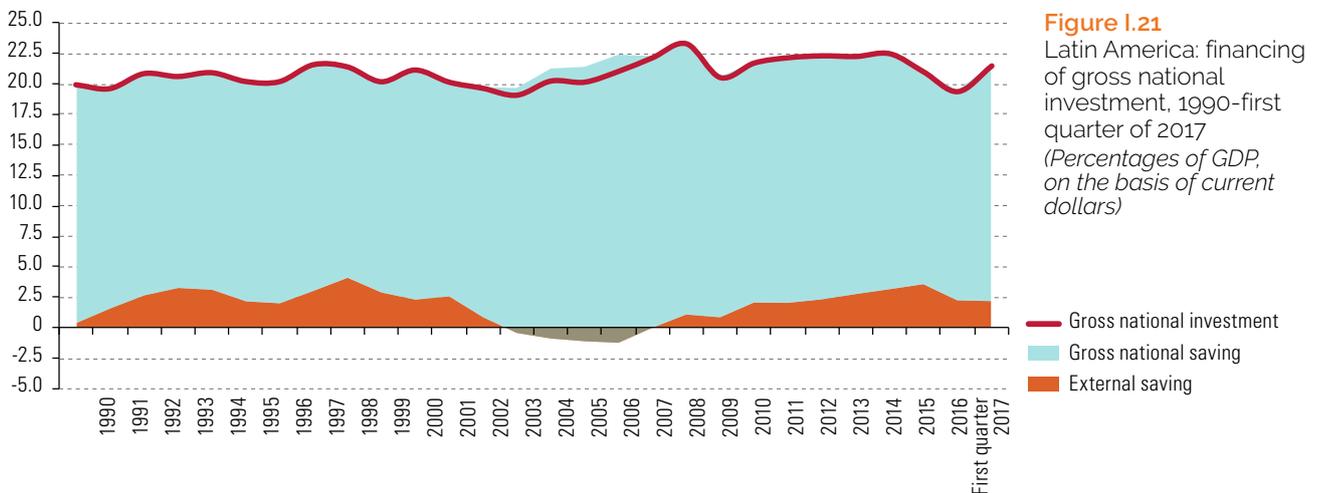
With respect to foreign trade in goods and services, the contribution of the external sector was slightly positive in the first quarter of 2017, owing to an increase in net exports. However, in 2016, imports declined for the second year in a row, and exports barely grew, reflecting weak domestic demand and the sluggish improvement in global economic conditions.

Data for the first quarter of 2017 confirm that the clearly contrasting trends seen between subregions since 2013 have dissipated. Whereas South America hit a turning point in the second quarter of 2016 and began to show improvement, Mexico and Central America continued the pattern of the past few years. In terms of the contributions of spending components to GDP growth in 2017, the main driver in South America has been the upturn in investment, unlike in Mexico and Central America, where private consumption is sustaining GDP growth, offset by a decline in investment (see figure I.20C).

3. The increase in gross national disposable income is reflected in stronger national saving in Latin America

The improvement in the terms of trade in 2017, along with an increase in current transfers, more than offset the rise in net factor payments abroad. This resulted in a stronger hike in gross national disposable income than in regional GDP in the first quarter.

The growth in gross national disposable income is strengthening domestic saving in Latin America which, measured as a percentage of GDP, is up in comparison with 2016. On the basis of current dollars, gross national saving in the first quarter of 2017 amounted to 19.4% of GDP (versus 17.5% and 17.2% of GDP in 2015 and 2016, respectively). Meanwhile, external saving edged down, from 2.2% of GDP in 2016 to 2.1% in the first quarter of 2017. As a result, gross national investment rose by 2.1 percentage points over 2016 to 21.5% of GDP in the first quarter of 2017 (see figure I.21).



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

4. Average inflation in the economies of Latin America and the Caribbean has fallen since the second half of 2016, even though three economies still have rates of over 20%

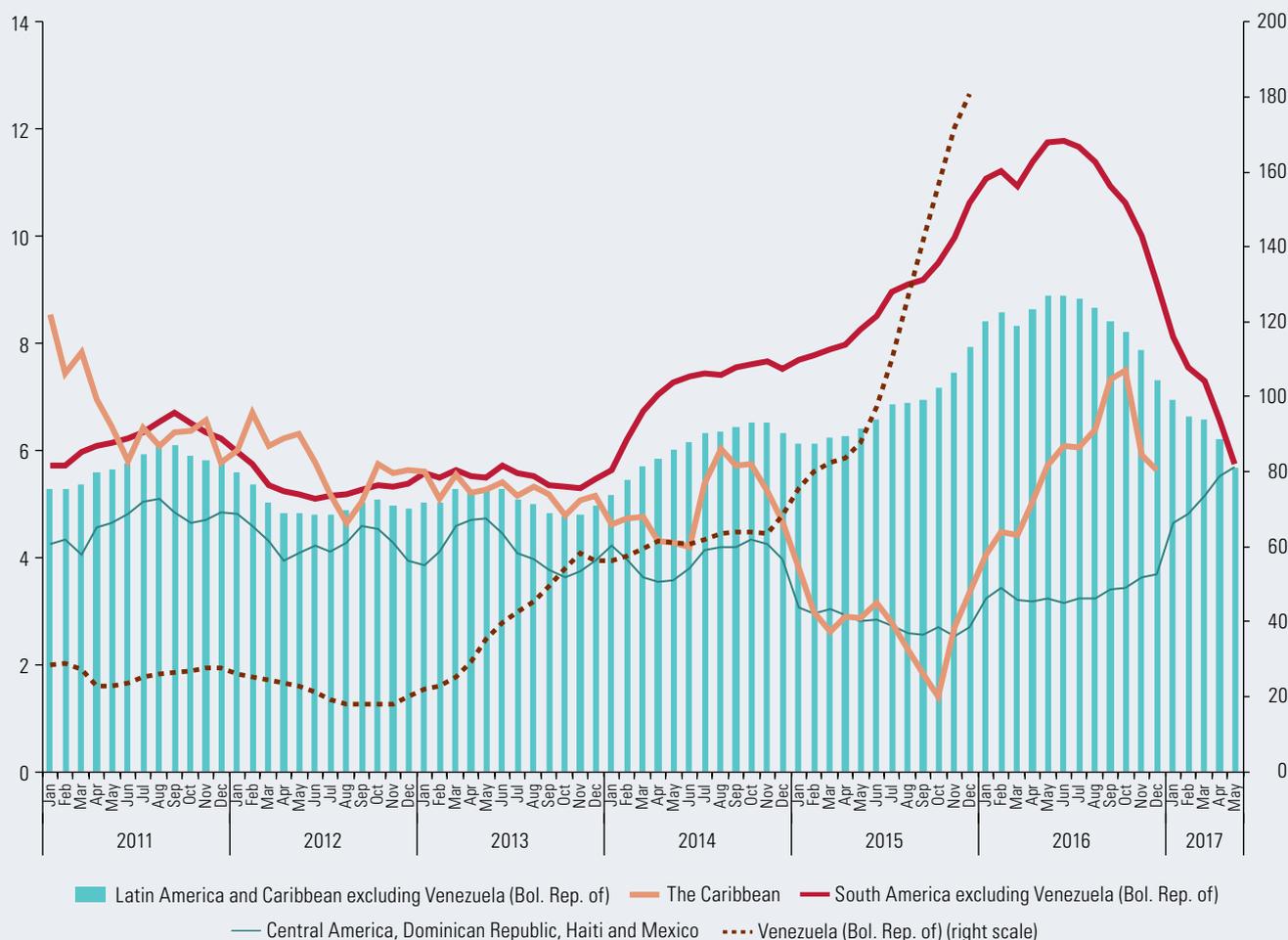
The average inflation rate in Latin America and the Caribbean, excluding the Bolivarian Republic of Venezuela, has trended downward since August 2016.²⁷ Thus, the regional rate fell by 0.6 percentage points from 7.9% in December 2015 to 7.3% in December 2016. This brought an end to the spell of rising inflation that began in October 2009 and continued until June 2016, when the regional average peaked at 8.9%. The regional rate carried on falling in the first five months of 2017, dropping by 1.6 percentage points from 7.3% in 2016 to 5.7% in May 2017.

The inflation dynamics in the economies of Latin America and the Caribbean that underlay this regional average were extremely heterogeneous. Figure I.22 shows how inflation declined from mid-2016 in the economies of South America while increasing in the subregion comprising the countries of Central America, the Dominican Republic, Haiti and Mexico. Inflation in the economies of the non-Spanish-speaking Caribbean has also slowed since October 2016, when it was 7.5%, its highest since March 2011. Although data covering the first five months of 2017 are not available for most of the Caribbean economies, inflation in countries such as the Bahamas, Guyana and Jamaica rose from the levels of end-2016. In Suriname and Trinidad and Tobago, conversely, inflation fell back, even though it remains high by historical standards in the case of Suriname.

²⁷ The regional and subregional averages presented in the tables and charts of this chapter do not include the Bolivarian Republic of Venezuela, since no official information is available on inflation since December 2015.

Figure I.22

Latin America and the Caribbean: 12-month rates of change in consumer price indices, weighted averages, January 2011-May 2017
(Percentages)



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

Heterogeneity is also found when economies such as Argentina, the Bolivarian Republic of Venezuela²⁸ and Suriname, with inflation rates of over 20% in 2016, are compared to economies such as Antigua and Barbuda, El Salvador and Saint Lucia, which experienced deflation that year (see table I.5).

²⁸ Although official data on the economy of the Bolivarian Republic of Venezuela are not available, preliminary estimates suggest that inflation was higher in 2016 than in 2015 (180%). In fact, estimates published in the May 2017 edition of *Latin America Consensus Forecasts* put inflation in the Bolivarian Republic of Venezuela at 560.5% in 2016. The main factors underlying these estimates were faster growth in monetary aggregates, increasing monetary financing of the public sector by the central bank, depreciation of both the official and parallel exchange rates and the severe external constraint on the country's economy.

Table I.5

Latin America and the Caribbean: 12-month rates of change in consumer price indices, December 2015–May 2017
(Percentages)

	December 2015	December 2016	May 2015	May 2016	May 2017
Latin America and the Caribbean^a	7.9	7.3	6.4	8.9	5.7
South America^a	10.6	9.1	8.3	11.7	5.7
Argentina	27.5	38.5	20.0	43.1	24.0
Bolivia (Plurinational State of)	3.0	4.0	4.1	5.0	1.2
Brazil	10.7	6.3	8.5	9.3	3.6
Chile	4.4	2.7	4.0	4.2	2.6
Colombia	6.8	5.7	4.4	8.2	4.4
Ecuador	3.4	1.1	4.5	1.6	1.1
Paraguay	3.1	3.9	3.3	3.5	3.4
Peru	4.4	3.2	3.4	3.5	3.0
Uruguay	9.4	8.1	8.4	11.0	5.6
Central America and Mexico	2.7	3.7	2.8	3.2	5.7
Costa Rica	-0.8	0.8	1.0	-0.4	1.7
Dominican Republic	2.3	1.7	0.2	1.7	3.1
El Salvador	1.0	-0.9	-0.4	0.7	0.9
Guatemala	3.1	4.2	2.6	4.4	3.9
Haiti	12.5	14.3	6.6	15.1	14.6
Honduras	2.4	3.0	3.5	2.4	4.1
Mexico	2.1	3.4	2.9	2.6	6.2
Nicaragua	2.9	3.1	5.1	3.6	3.1
Panama	0.3	1.5	0.4	0.3	0.8
The Caribbean	3.3	5.6	2.9	5.7	...
Antigua and Barbuda	0.9	-1.1	1.0	-0.6	...
Bahamas	2.0	0.8	1.6	-0.2	2.7 ^b
Barbados	-2.5	4.0	-0.7	1.3	...
Belize	-0.6	1.1	-0.9	1.0	...
Dominica	-0.5	1.6	-0.2	-0.3	...
Grenada	1.1	0.9	-0.7	1.5	...
Guyana	-1.8	1.4	0.2	0.9	2.1 ^c
Jamaica	3.7	1.7	4.0	2.1	4.8 ^c
Saint Kitts and Nevis	-2.4	0.0	-3.8	-1.3	...
Saint Lucia	-2.6	-3.0	0.1	-4.0	...
Saint Vincent and the Grenadines	-2.1	1.0	-1.8	-0.1	...
Suriname	25.2	49.2	3.8	54.4	30.9 ^c
Trinidad and Tobago	1.5	3.1	5.5	3.4	2.7 ^b

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

^a Excludes the Bolivarian Republic of Venezuela owing to the lack of official information from December 2015.

^b Data to March 2017.

^c Data to April 2017.

Different factors contributed to the dynamics of inflation in 2016 and the first five months of 2017. In cases such as the Bolivarian Republic of Venezuela, the Dominican Republic, Mexico and Suriname, depreciation or devaluation of local currencies against the dollar drove an increase in inflation in 2016 that persisted into the first five months of 2017. In Brazil, Chile, Colombia and Paraguay, nominal currency appreciations after mid-2016 helped to push down inflation in 2016 and the early months of 2017. In the

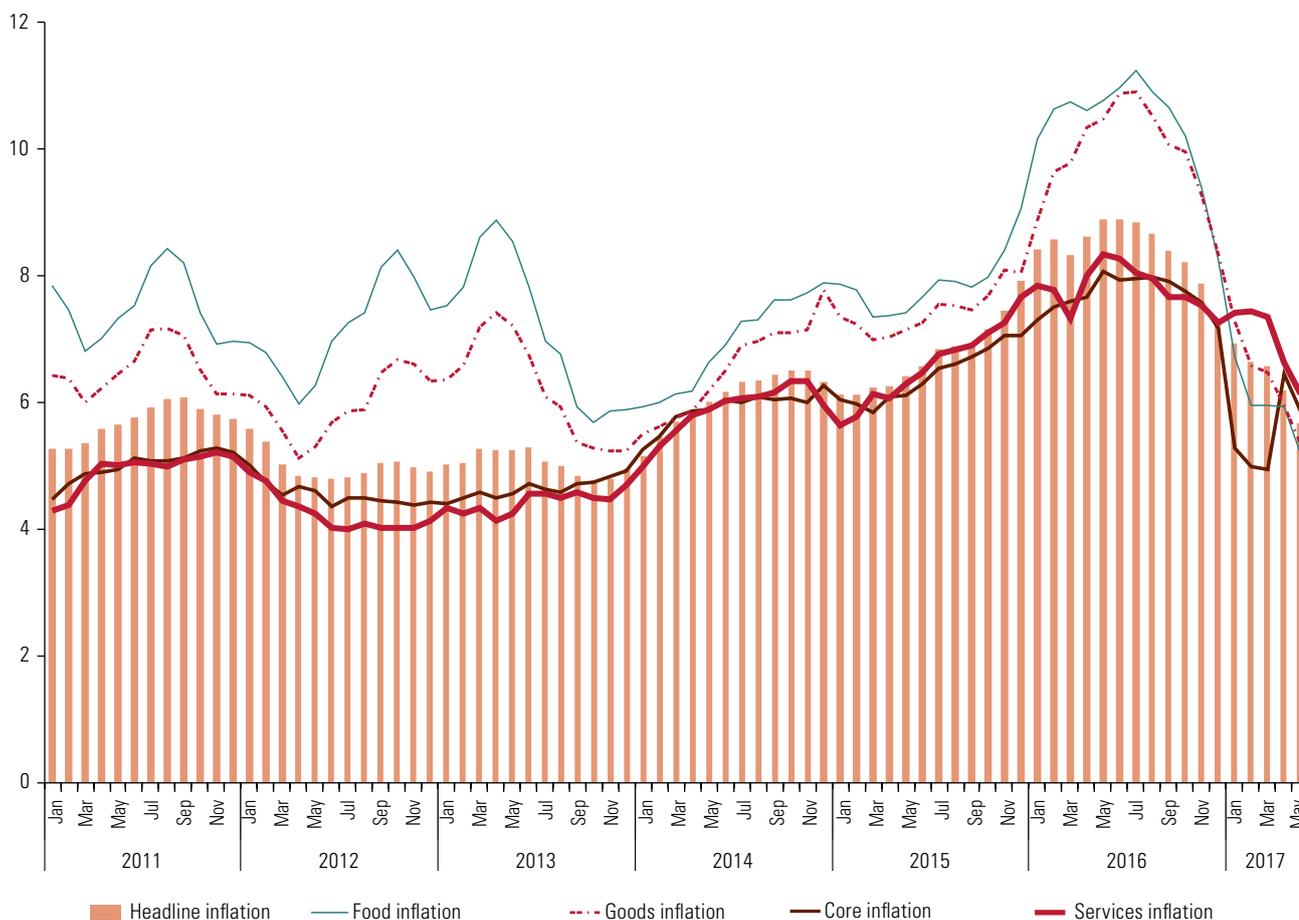
Bolivarian Republic of Venezuela and Suriname, particularly, persistent fiscal imbalances have stimulated growth in the monetary aggregates, taking inflation to record highs. At the same time, declining inflation in countries such as Argentina, Brazil and Jamaica has reflected both the weakness of aggregate domestic demand and the efforts made to reduce fiscal imbalances and thence the need to resort to monetary financing of these.

5. Inflation has fallen across the different components of the consumer price index (CPI) since mid-2016, with food price inflation dropping most

The declining trend of headline inflation since the second half of 2016 has also been manifested in the separate categories making up the CPI (see figure I.23). Nonetheless, it is the food price inflation component that has declined the most. Between December 2015 and December 2016, average regional food price inflation dropped by 0.8 percentage points even as core inflation rose by 0.1 percentage points. A review of the dynamic of goods and services inflation shows that services inflation fell by 0.4 percentage points between 2015 and 2016, even as tradable goods inflation rose by 0.3 percentage points.

Figure I.23

Latin America and the Caribbean: 12-month rates of change in the headline, core, food, goods and services consumer price indices, weighted averages, January 2011-May 2017 (Percentages)



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

The trend in the different inflation components that began in 2016 intensified in the first five months of 2017. Average food price inflation in the region dropped by 3.1 percentage points from 8.3% in December 2016 to 5.2% in May 2017. Core inflation dropped by 1.3 percentage points in the same period, from 7.2% in December 2016 to 5.9% in May 2017. The first five months of 2017 developed differently from 2016, as goods inflation fell by more (-3.0 percentage points) than services inflation (-1.2 percentage points).

A development of note is that although food inflation fell by more than headline inflation in 2016, it was still 1.0 percentage point higher than this. The situation reversed in the first five months of 2017, with headline inflation exceeding food inflation by 0.5 percentage points.

6. Employment indicators deteriorated again in the first quarter of 2017, but by less than in 2016

The regional job market continued to worsen in the first quarter of 2017. However, with economic growth picking up modestly, the deterioration was less rapid and widespread than in 2016. Specifically, the urban unemployment rate in a group of 11 countries with quarterly information available was 1.2 percentage points higher at the start of the year than in the first quarter of 2016, a rate of increase that was well down on the average year-on-year rise of 1.8 percentage points recorded for the same group of countries in 2016.²⁹ In any event, on a four-quarter moving average, the unemployment rate in this group of countries carried on climbing (see figure I.24A).³⁰

A. Four-quarter moving averages
(Percentages)



Figure I.24
Latin America and the Caribbean (11 countries): employment, participation and unemployment rates and year-on-year changes, first quarter of 2014–first quarter of 2017^a

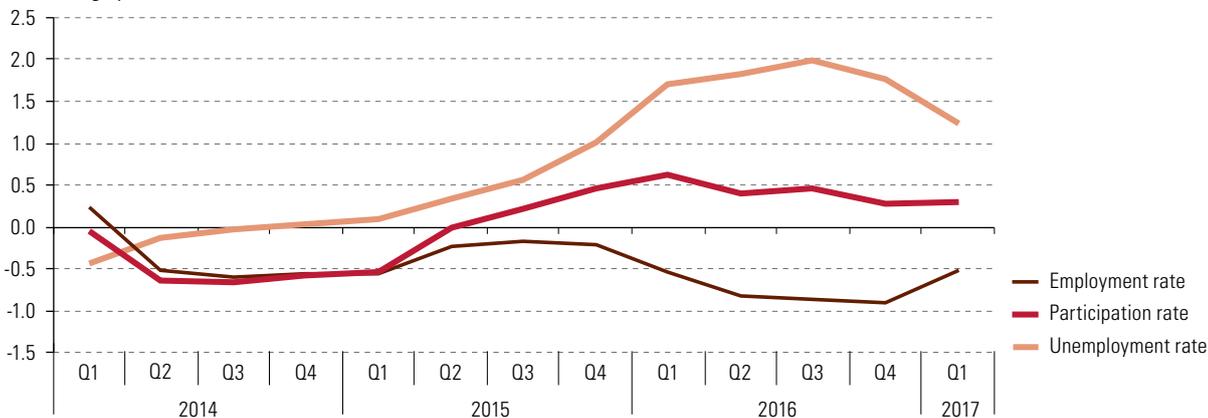
■ Employment rate (left scale)
■ Participation rate (left scale)
◆ Unemployment rate (right scale)

²⁹ The countries covered are Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay. Unlike previous editions of the *Economic Survey of Latin America and the Caribbean*, this one does not include data for the Bolivarian Republic of Venezuela because the country's official information has been updated only to April 2016.

³⁰ Because quarterly information is available for only a limited number of countries, the rates calculated for this group differ from the annual information, which covers a larger number of countries.

Figure I.24 (concluded)

B. Year-on-year changes (Percentage points)



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

Note: The countries covered are Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay.

7. The employment situation worsened severely in many parts of the region during 2016

The performance of the labour market in the first quarter of 2017 contrasted with 2016, when the urban unemployment rate in Latin America and the Caribbean rose to 8.9% from the 7.3% recorded in 2015 during what was a second year of economic contraction, an increase unprecedented in 20 years. The deterioration was the result of a rapid drop in the urban employment rate, from 58.1% to 57.4%, it being the third year running in which this declined. At the same time, the urban participation rate picked up from 62.7% to 62.9% after three years of stagnation or decline, as many households had greater need of earnings.³¹

Although these changes in the main labour market indicators across the region were largely due to the sharply worsening situation in Brazil, the deterioration in employment conditions was more widespread on this occasion than in 2015. Specifically, the urban unemployment rate increased in 13 of 20 countries with information available, and in half the region's countries the employment rate fell, with certain Caribbean countries being the main exceptions. In the countries where these variables deteriorated, however, unemployment rates generally rose by much less than in Brazil, and calculating the weighted average without Brazil yields a far more moderate increase in the urban unemployment rate between 2015 and 2016, from 6.0% to 6.3%.

8. Movements in employment and participation rates were moderate and mixed in the first quarter of 2017

The fact that the unemployment rate rose by less in the first quarter of 2017 than in 2016 was mainly due to there being a smaller year-on-year drop in the employment rate. As figure I.24B shows, the employment rate still dropped year on year, but by less than in the previous quarters: 0.5 percentage points in the first quarter of 2017, as compared to between -0.8 and -0.9 percentage points between the second and fourth quarters of 2016.

³¹ See ECLAC/ILO (2017) for a review of developments in the region's labour markets during 2016.

At the same time, the modest pick-up in urban labour force participation observed in 2016 continued, with a year-on-year increase of 0.3 percentage points in the first quarter of 2017 that reflected rises in Brazil, Costa Rica and Jamaica, with rates remaining unchanged in Chile and Mexico and dropping in Colombia, Ecuador, Paraguay, Peru and Uruguay.³² The urban participation rate in Brazil rose strongly for women and young adults (aged 18 to 24 and 25 to 39) and by less among men and in other age groups, providing support for the theory that the increase was due to the need for extra earnings.

As figure I.24B shows, the rise in the participation rate in the group of countries referred to was more modest in the first quarter of 2017 than in 2016, owing in part to the fact that it actually fell in a group of medium-sized economies (Colombia, Ecuador and Peru). This occurred in two different situations. Colombia and Ecuador saw the ending of a period of continuous increases in the participation rate (with cumulative rises of 1.1 percentage points in Colombia and 3.5 percentage points in Ecuador between 2011 and 2016), while in Peru (taking data for metropolitan Lima) an existing downward trend continued, with a cumulative decline of 2.2 percentage points over the same period. The unemployment rate increased in all three countries in 2016, so that the decline in the participation rate could be due to some workers becoming discouraged and leaving the labour market. The participation rate fell by most in the youngest age group in all three countries, providing support for the discouraged worker hypothesis.³³ In Ecuador and Peru, the two countries whose published figures are most disaggregated by age, there were also sharp drops, of 1.5 and 1.1 percentage points, respectively, in the older age group, while there were only small declines or, in the case of Ecuador, an increase in labour market participation in the intermediate age groups making up the core of the working-age population.

The evolution of labour markets in the limited number of countries with information available was heterogeneous, with unemployment rates falling in Colombia, Costa Rica, Ecuador, Jamaica and Mexico, whereas this indicator rose not only in Brazil but also in Chile, Paraguay, Peru and Uruguay. This stands in contrast to 2016, when unemployment rose in most of the countries. Meanwhile, urban employment rates increased in four countries (Costa Rica, Ecuador, Jamaica and Mexico) and dropped in six (Brazil, Chile, Colombia, Paraguay, Peru and Uruguay). Declines in employment levels were seen especially in large and medium-sized countries, while improvements were confined, with the exception of Mexico, to smaller countries.

The performance of the Brazilian labour market is of particular interest because it accounts for such a large share of weighted measurements. This has been particularly true in recent years, when it has deteriorated sharply. This deterioration continued in the first quarter of 2017, with the employment rate dropping by 0.8 percentage points in the 20 largest metropolitan regions while the unemployment rate rose by 2.9 percentage points. This was better than the average for 2016, however, when the employment rate dropped by 1.5 percentage points and the unemployment rate rose by 3.7 percentage points.

³² The survey was not carried out in Argentina during the first quarter of 2016, so year-on-year changes there cannot be measured.

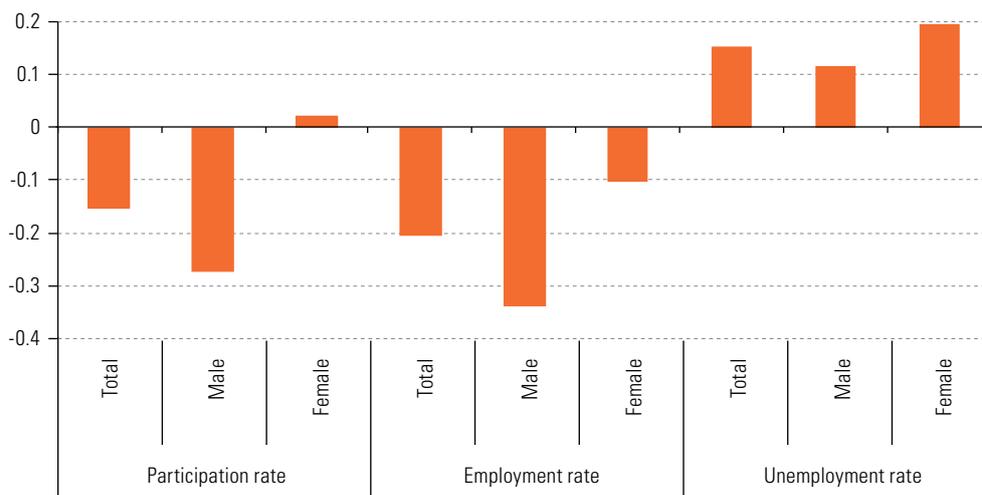
³³ Considering only urban areas, the participation rate dropped by 1.2 percentage points among 14- to 28-year-olds in Colombia (as compared to 0.8 percentage points for the working-age population generally), by 1.8 percentage points among 15- to 24-year-olds in Ecuador (as against 1.0 percentage point for the overall working-age population) and by 1.1 percentage points among 14- to 24-year-olds in Peru (as against a rise of 0.4 percentage points for the overall working-age population).

9. Women were affected slightly more by the rise in unemployment

If simple averages of changes in the main employment variables of the countries with information available are taken, the deterioration in the employment situation of Latin America and the Caribbean looks much less severe. As figure I.25 shows, the unemployment rate rose by less than 0.2 percentage points in the first quarter of 2017, with the employment rate falling by slightly more than the participation rate.³⁴

Figure I.25

Latin America and the Caribbean (11 countries): simple averages of year-on-year changes in participation, employment and unemployment rates, by sex, first quarter of 2017^a (Percentage points)



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

Note: The countries considered are Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru and Uruguay.

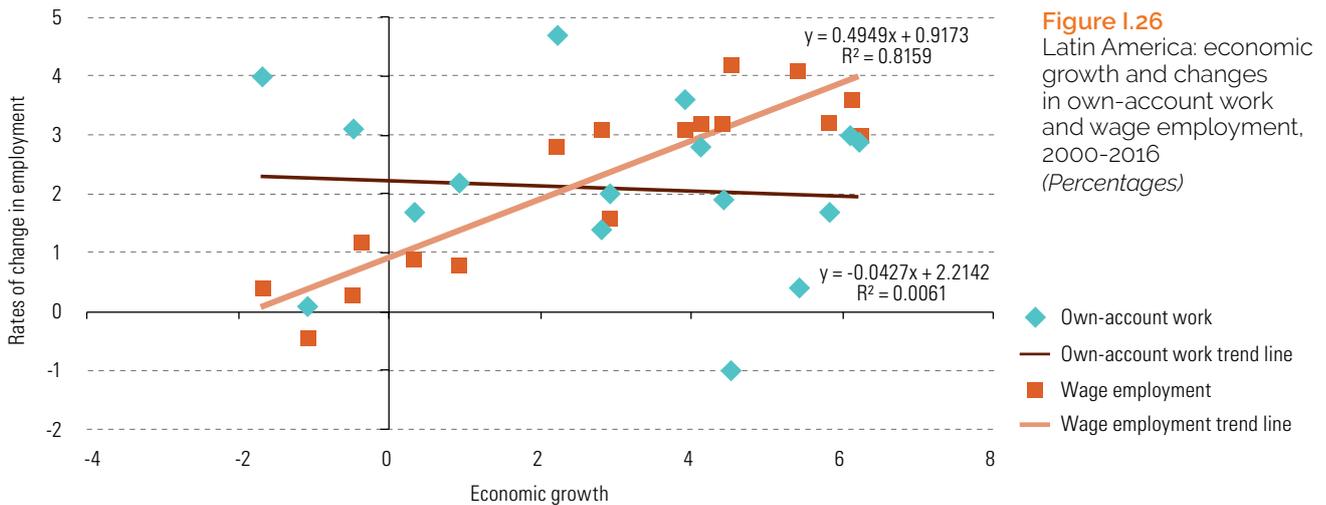
The unemployment rate increased by slightly more for women than for men. In the case of women, the rise was due to the employment rate falling slightly while the participation rate remained unchanged. In the case of men, although the employment rate fell even further, the simultaneous drop of the participation rate offset the impact on the unemployment rate.

10. Slow or negative economic growth severely affects the creation of wage employment

Earlier analyses have revealed that economic growth has been more labour-intensive since the 2000s than it was in the 1990s (ECLAC, 2014). The question, then, is what the relationship between growth and job creation has been in the different economic growth contexts of the recent period.

Wage work is generated in private sector firms and the public sector, suggesting that it is strongly correlated with economic growth. By contrast, the second-largest category in the employment structure, own-account work, is driven by two different dynamics: one class of jobs in this category arise to meet households' subsistence needs when not enough wage employment is being created, while others emerge as a way of taking advantage of earning opportunities when economies are expanding (Weller, 2014). Figure I.26 shows economic growth rates and the corresponding rates of increase in wage employment and own-account work in Latin America as a whole over the period 2000-2016.

³⁴ This exercise employs national data where available, and not only those for urban areas.



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

The following can be observed:

- It is confirmed that wage employment is closely correlated with economic growth.
- On the other hand, the presence of a variety of dynamics in the creation of own-account employment means there is a high degree of dispersion in the relationship between economic growth rates and the expansion of this category of employment.
- Although dispersion is high, it can be seen that the trend line of own-account working intersects the vertical axis at an elevated value, reflecting the creation of jobs for (and by) households to meet their needs at times when little new wage employment is forthcoming.
- The wage employment trend line has a relatively steep slope, reflecting its elasticity to economic growth.
- If the relationship between economic growth and wage employment specifically is compared for periods of high and low economic growth, it can be seen that most observations are above the trend line in the years of relatively high growth, which reflects a relatively high elasticity to economic growth and once again reveals the labour intensity that characterized the years of relatively dynamic growth in the recent period.
- In years of low or negative growth, by contrast, most observations are below the trend line. This indicates that relatively little wage employment was created, probably because of cost control strategies applied by many firms and in public spending. In these years, own-account work tended to expand more, partially compensating for the weakness of wage employment growth.

Thus, low economic growth has a twofold effect on the creation of wage employment, first because of the close general correlation between the two variables, and second because the creation of wage-paying jobs weakens by even more than the trend in years of low growth or recession. This underlines the importance of countercyclical policies to prevent the sharp deterioration that affects labour markets in phases of negative or low growth.

It is also essential to address the challenges that are emerging amid profound technological shifts that are affecting many jobs and the way production is carried out. The productive capacities of the labour force will have to be built up to tap the productive potential of these technologies and foster productivity gains in the framework of a sustainable shift in the productive structure.

11. Employment quality is still under threat

As of early 2017, creation of wage employment remained weak. Following a 0.4% contraction in 2016, the number of wage employees remained practically static in the first quarter of 2017, with a year-on-year increase of 0.1%. Contributing to this outcome were the sharp year-on-year contraction in Brazil (where the number of people in wage employment had already dropped every year from 2014 to 2016) and small declines in Chile and Peru, whereas in Panama the number of people in wage employment remained unchanged and in Colombia, Costa Rica, Ecuador and Mexico it rose by between 0.8% (Ecuador) and 2.7% (Mexico). Given that, on average, wage employment is the highest-quality work available, this low growth rate is a bad sign for the progress the countries aspire to as they seek to achieve the Sustainable Development Goals.

The average quality of wage employment also deteriorated in several countries. In Brazil, specifically, the number of people holding contracts likely to ensure compliance with their employment rights declined, as public sector employment was down by 103,000 jobs (1.6%) and the number of private sector employees with formal contracts by all of 1,225,000 (3.5%) on average over the year. By contrast, the number of private sector employees without formal contracts expanded by 461,000 (4.7%). The assumption must be that only some of this growth was due to the creation of new jobs, and much of it to the downgrading of existing ones.

The decline in formal wage employment revealed by the household survey is also reflected in the registered employment records, which indicate a year-on-year contraction of 3.0% in the first quarter of 2017 in Brazil, following an average decline of 4.0% in 2016. As figure I.27 illustrates, year-on-year changes continued to be strongly negative, but with rates of contraction moderating. In Uruguay, the number of employees paying into the social security system contracted between mid-2014 and the end of 2016, but there was a tendency for formal job creation to recover thereafter. Argentina had modestly positive rates of registered employment creation in the first quarter after six months of contraction. In Chile and Peru, lastly, the number of formal jobs kept rising, albeit at modest rates.

In the case of Mexico, the uncertainty generated by the external political and economic context has not affected formal job creation, while in Costa Rica the number of insured workers has continued to rise at rates similar to those of 2016 and in Nicaragua the pace of increase has slowed, although rates remain very high.³⁵

Meanwhile, non-wage employment categories, and particularly own-account work, their main component, have continued to grow faster than wage employment in many countries, including Chile, Colombia, Costa Rica and Ecuador.³⁶ Taking the median for countries with information available, total employment grew by 1.4%, wage employment by 0.8% and own-account work by 2.2%.

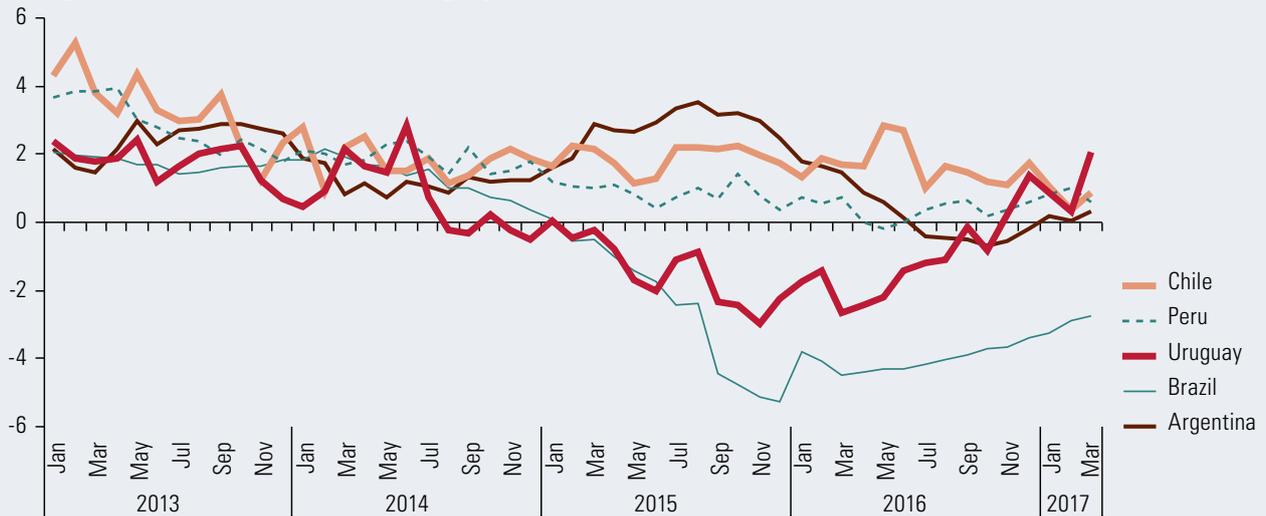
Another indicator of employment quality is the hourly underemployment rate, which measures the proportion of employed persons who work for fewer hours than the minimum established in their countries for a normal working day, wish to work more hours and are available to do so. The results for this employment quality indicator are also mixed. As figure I.28 shows, it deteriorated to varying degrees in four of the nine countries with information available (Brazil, Chile, Ecuador and Uruguay), improved in another four (Colombia, Costa Rica, Mexico and Peru) and held steady in one (Paraguay).

³⁵ The high rates of growth in the numbers insured, reaching double digits between late 2015 and mid-2016, have been due to a job formalization campaign.

³⁶ The same holds for urban areas in Brazil (data from 20 metropolitan regions), while the household survey shows a sharp contraction in own-account working in the country as a whole, for reasons that are not entirely clear.

Figure I.27

Latin America (selected countries): year-on-year changes in registered employment, January 2013-March 2017 (Percentages)

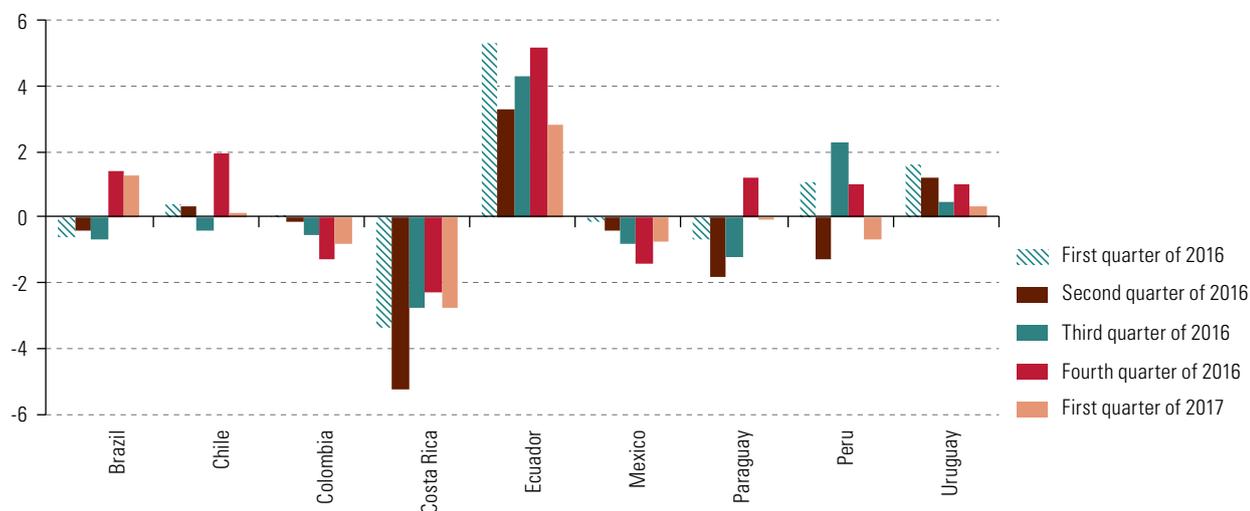
A. Argentina, Brazil, Chile, Peru and Uruguay**B. Costa Rica, Mexico and Nicaragua**

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

Note: The data are for wage employees paying into social security systems, with the exceptions of Brazil, where they are for private sector wage workers as reported by firms to the General Registry on Employment and Unemployment, and Peru, where they are for employment as reported by small, medium-sized and large formal non-agricultural firms.

Figure I.28

Latin America (selected countries): year-on-year changes in hourly underemployment rates, first quarter of 2016–first quarter of 2017
(Percentage points)



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

12. Wage developments reflect the economies' low growth dynamics and the evolution of inflation

The evolution of real wages reflects the overall economic and employment context and trends in inflation and income policies.

In Brazil, Colombia and Uruguay, for example, the sharp downward trend in inflation has helped to stabilize real wages. However, whereas in Colombia and Uruguay lower inflation has combined with wage policies to bring substantial real pay growth, the still very depressed state of labour demand in Brazil has forestalled any major recovery in wages, with real pay for formal employees practically unchanged in the first quarter of 2017 from what it was in the first quarter of 2016. In Chile, declining inflation has allowed real wages to carry on growing at modest year-on-year rates (see figure I.29).

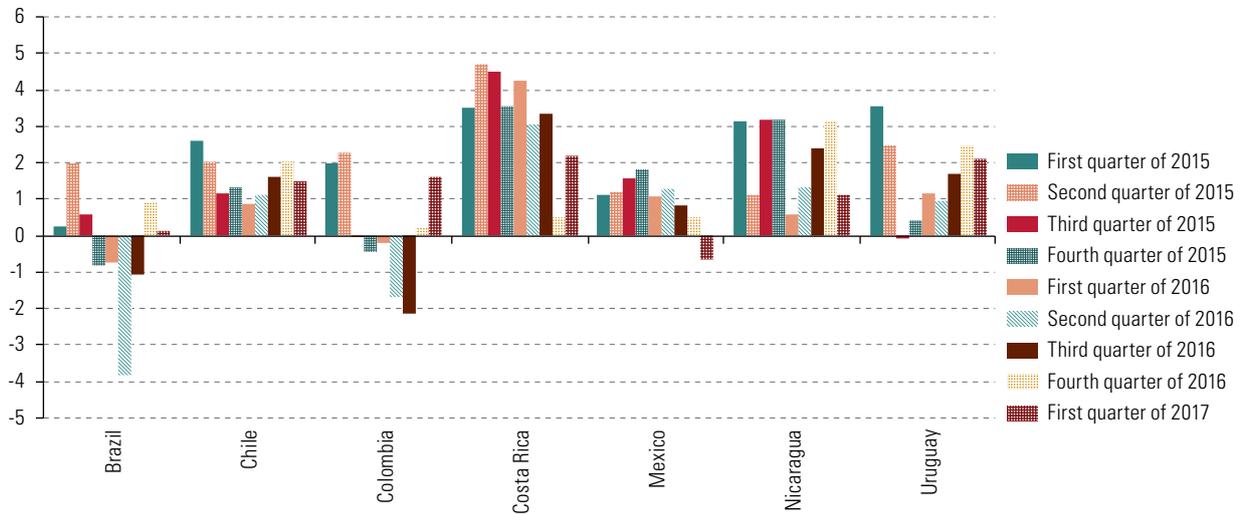
Among the Central American countries with information available, note may be taken of Costa Rica and Nicaragua, where low if rising inflation and growing economies allowed real wages to carry on climbing in early 2017, albeit at rates somewhat below the previous year's averages. In Mexico, lastly, the pick-up in inflation was one reason for a year-on-year drop in the real wage.

Taking the median for the countries with information available, real wages in registered employment rose by 1.5%.

The authorities in many countries continued with their efforts to protect the lowest-paid workers from the deteriorating labour market conditions. Thus, taking the median for 19 countries with information available, the minimum wage increased by 2.1% in real terms in the first quarter of 2017.

Figure I.29

Latin America (selected countries): year-on-year changes in real wages from registered employment, first quarter of 2015–first quarter of 2017
(Percentages)



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

13. The year-on-year deterioration in the labour market will gradually moderate over 2017

For 2017 as a whole, the expectation is that the pattern identified for the first quarter will continue, i.e. there will be a further, if less acute, deterioration in the employment situation. Projected growth of 1.1% for the year will not be enough to significantly reactivate job creation and reverse the rise in the urban unemployment rate. Thus, although gradually improving trends are expected over the course of 2017 (mainly in the form of an ever-lesser deterioration), it is estimated that this rate will rise to 9.4% from the 8.9% recorded in 2016.

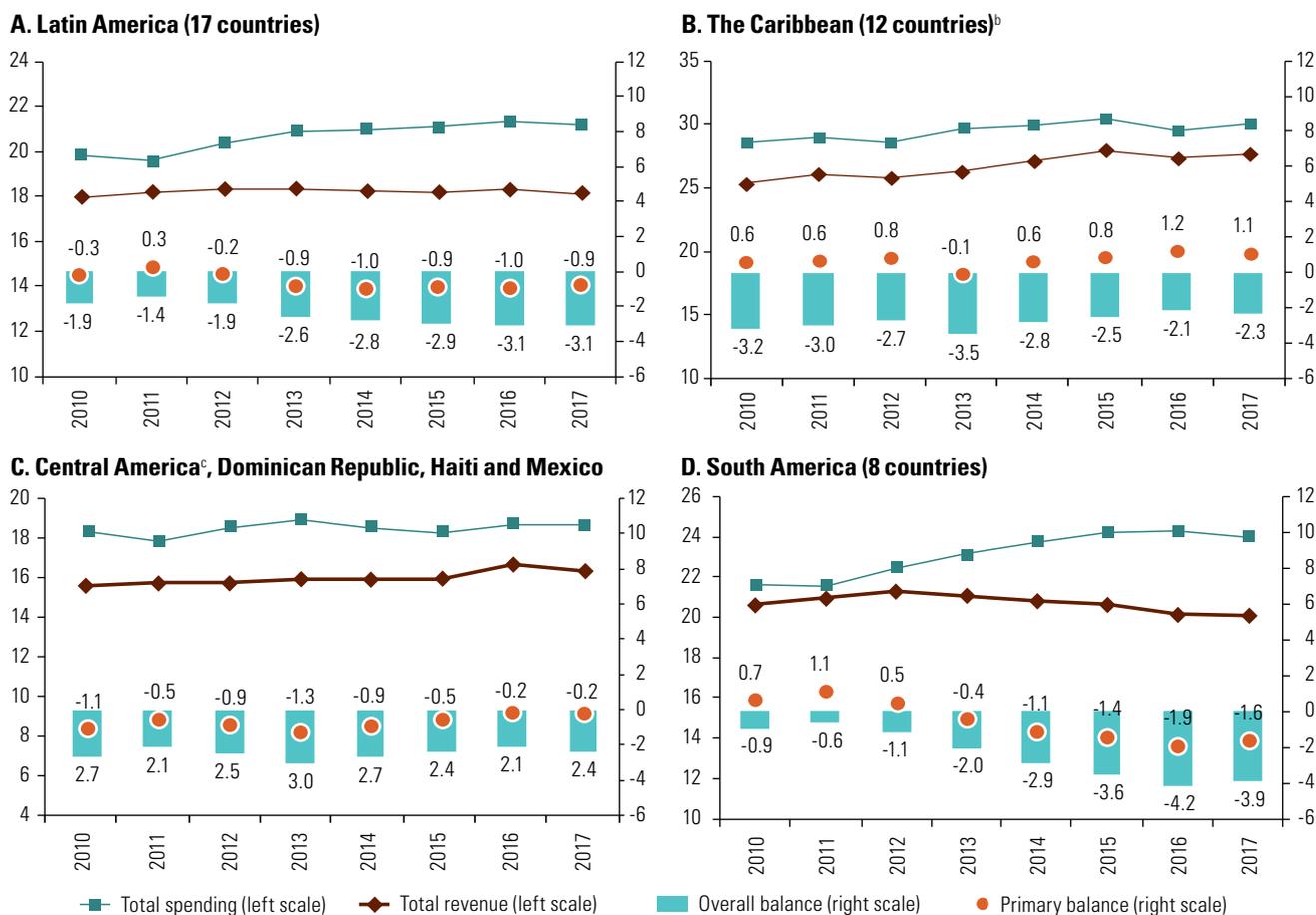
E. Macroeconomic policies

1. The fiscal deficit in Latin America will remain stable in 2017

As noted in the *Fiscal Panorama of Latin America and the Caribbean 2017* (ECLAC, 2017), the average fiscal deficit of the countries in Latin America held relatively steady at around 3.1% of GDP in 2016, and is expected to remain unchanged in 2017 (see figure I.30). Despite this relative stability, the fiscal deficit may increase in 8 of the 17 Latin American countries included in the analysis. Overall, public spending is expected to be cut (from 21.3% of GDP in 2016 to 21.2% in 2017) in line with the anticipated decrease in public revenue (from 18.3% of GDP in 2016 to 18.1% in 2017). These trends reflect, to some extent, the reversal of some exceptional factors that had an impact in 2016—for example, extraordinary income from asset regularization programmes (in Argentina, Brazil and Chile) and from one-off financial spending (in Mexico).

Figure I.30

Latin America and the Caribbean: central government fiscal indicators, 2010–2017^a
(Percentages of GDP)



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

^a Simple averages. Figures for 2017 are budget projections. In Mexico and Peru, figures correspond to the federal public sector and the general government, respectively.

^b The average for the Caribbean excludes Dominica.

^c Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Compared with 2016, fiscal trends in the north and south of Latin America will continue to diverge in 2017, although they will be reversed. In the north—Central America, Dominican Republic, Haiti and Mexico—the fiscal deficit is projected to grow after three consecutive years of significant declines, to 2.4% of GDP, owing mainly to a deceleration in public revenue growth, especially the tax take, which will decrease as a percentage of GDP (from 16.7% to 16.4%). Meanwhile, total public spending is expected to remain stable at 18.7% of GDP.

By contrast, budgets in South American countries suggest that the fiscal deficit will contract in 2017, from 4.2% of GDP in 2016 to 3.9%. Public spending is expected to be reduced sharply (from 24.3% of GDP to 24.0%), reflecting the fiscal consolidation measures adopted by several countries. Moreover, there are signs that the decline in public revenue which began in 2013 may have hit bottom in 2016, at 20.1% of GDP—where it is projected to remain in 2017—following a sharp contraction from 20.7% of GDP in 2015.

In the Caribbean—like countries in the north of Latin America—the fiscal deficit is expected to increase from 2.1% of GDP in 2016 to 2.3% in 2017,³⁷ despite a continued primary surplus (1.1% of GDP), reflecting the high cost of servicing public debt in the subregion. It is estimated that total public spending will climb from 29.5% of GDP in 2016 to 30.0% in 2017, owing partly to governments' response to the devastation caused by Hurricane Matthew in October 2016. Public revenue is also expected to climb from 27.4% of GDP in 2016 (a marked decline compared with 2015) to 27.7% of GDP in 2017.

2. The region is aiming for sustainability in its public debt, which is growing more slowly

Central government debt amounted to a simple average of 37.3% of GDP in Latin America in 2016, and this was maintained in the first quarter of 2017. Although debt remains high in some countries, it grew more slowly in the subregion and borrowing levels are projected to fall, albeit moderately, in the short term, reflecting the expected improvement in South American countries' fiscal deficit, in particular. Public debt rose in just 8 of the 19 countries under review; Brazil posted the highest debt levels, at 71.5% of GDP, followed by Argentina with 54.2% and Honduras with 49%. By contrast, Peru maintained the lowest debt level in the region, at 20.2% of GDP, followed by Paraguay and Chile, with 21.4% and 21.5%, respectively (see figure I.31).

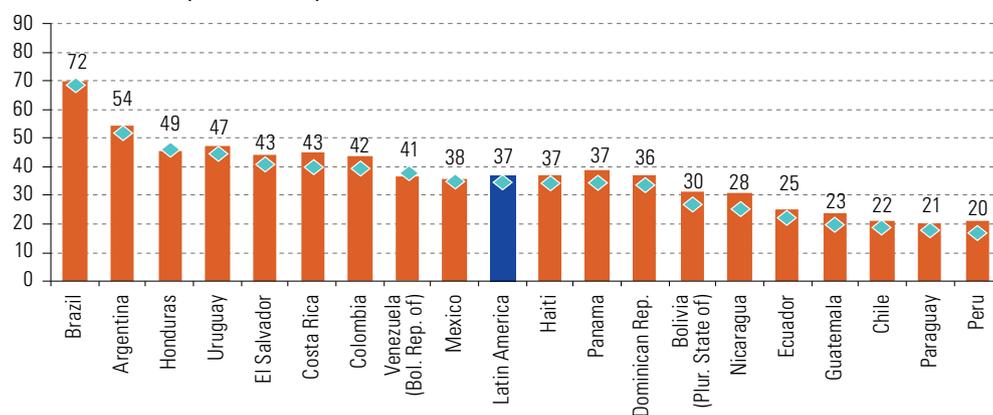
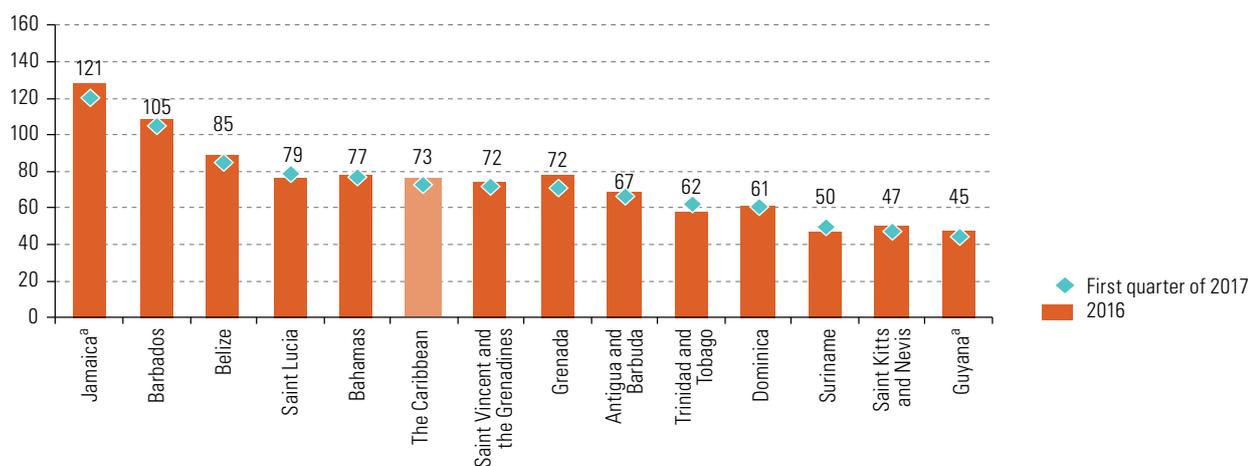
Caribbean countries' central government debt contracted by almost two percentage points to 72.7% of GDP in the first quarter of 2017. Of the 13 countries considered, just 3 increased their debt levels. Debt in Barbados and in Jamaica continues to exceed 100% of GDP, and Jamaica has the heaviest debt burden, equivalent to 121% of GDP, although it is also among the countries that have cut debt the most since 2014 (down more than seven percentage points of GDP in the last year). The weight of this debt is reflected in interest payments, which stand at about 8% of GDP in both Barbados and Jamaica.

The cost of public debt is expected to amount to 2.2% of GDP in Latin America and 3.1% in the Caribbean in 2017. As shown in figure I.32, Brazil has the highest level of interest payments in Latin America, at 5.3% of GDP, followed by Costa Rica with 3.3% and the Dominican Republic with 3.2%. The debt interest payments of these countries represent more than 20% of their revenues. In Argentina, interest payments may cool in 2017 after rising sharply the previous year as a result of debt servicing deriving from dollar-denominated variable rate bonds and payments in the framework of public debt normalization under Law 27.249. At the other end of the spectrum, in Chile and Haiti, interest payments continue to account for less than 1% of GDP and less than 3% of revenues.

³⁷ Dominica is excluded from this analysis as the country recorded extraordinary income in 2016 (when total revenue came to 49.6% of GDP), resulting in an unexpected fiscal surplus amounting to 11.3% of GDP. If figures for Dominica are included in the Caribbean average, the fiscal deficit for the 13 countries stood at 1.1% of GDP in 2016.

Figure I.31

Latin America and the Caribbean: gross central government debt, 2016 and first quarter of 2017
(Percentages of GDP)

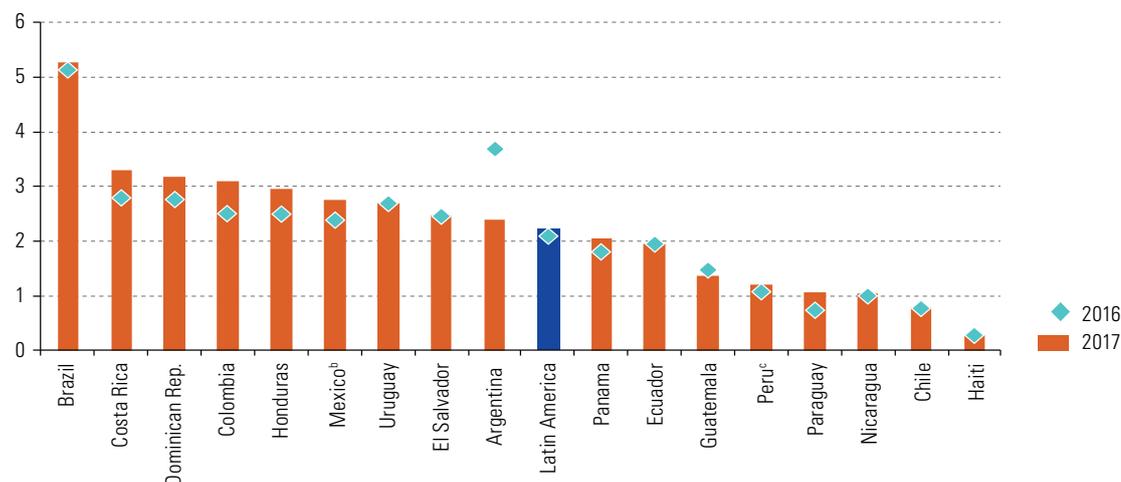
A. Latin America (19 countries)**B. The Caribbean (13 countries)**

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

^a Figures refer to the public sector.

Figure I.32

Latin America (17 countries): public debt interest payments, 2016 and 2017^a
(Percentages of GDP)



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

^a Figures for 2017 are budget projections.

^b The figures correspond to the federal public sector.

^c The figures correspond to the general government.

3. Public revenue will fall in Latin America in 2017, contrasting with the upturn projected for the Caribbean

Fiscal revenues in Latin America are expected to contract in 2017, from 18.3% of GDP in 2016 to 18.1% (see figure I.33). In particular, central government tax revenues are projected to decline (from 15.7% of GDP in 2016 to 15.5% in 2017). The (unexpected) increase in tax revenues in 2016 derived partly from exceptional factors such as the implementation of new tax administration measures in some countries and extraordinary income from tax amnesty programmes. Other income —mainly non-tax revenue, capital income and grants— is expected to remain stable at 2.6% of GDP on average in Latin America.



Figure I.33
Latin America and the Caribbean: composition of central government revenue, 2015-2017^a (Percentages of GDP)

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

^a Simple averages. Figures for 2017 are budget projections. In Mexico and Peru, figures correspond with the federal public sector and the general government, respectively.

^b Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

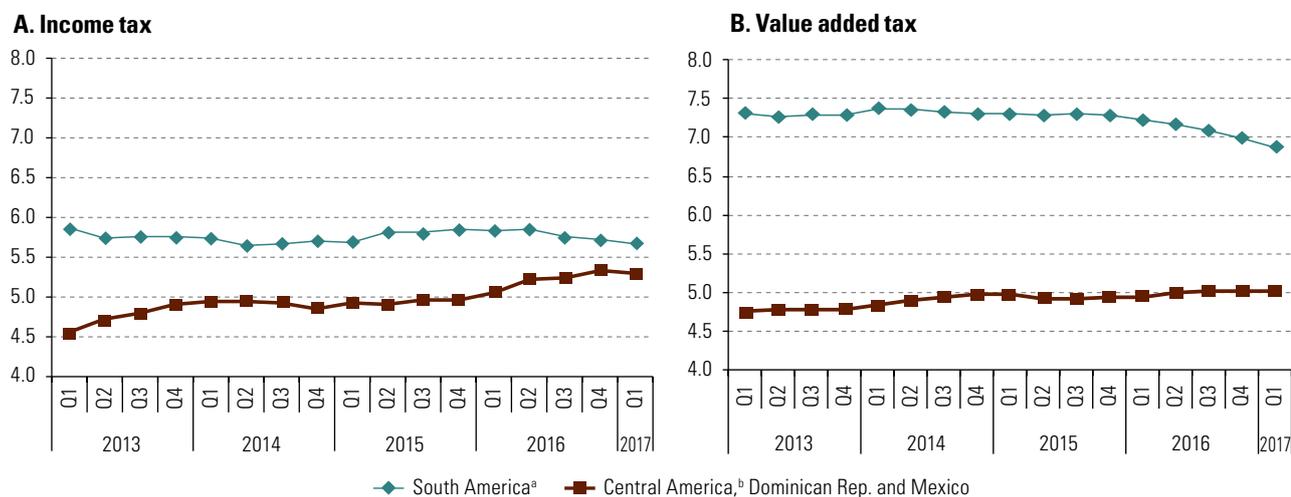
^c The average for the Caribbean excludes Dominica.

In a reverse of the pattern seen in 2016, public revenue is expected to fall in the north of Latin America and to remain stable in the south in 2017. Among the countries in the north of the region, this decline (from 16.7% of GDP in 2016 to 16.4% in 2017) is likely to derive mainly from weaker tax revenue, which will decrease as a percentage of GDP in 2017 (from 14.1% of GDP to 13.8%). In particular, growth in the income tax take is expected to lose pace after the increases seen in 2016 (see figure I.34). The projected contraction in other income reflects mainly the expected decline in Mexico despite the Bank of Mexico's historic transfer of surplus funds equivalent to 1.5% of GDP to the Ministry of Finance and Public Credit in March 2017.

Total revenue in South America is expected to remain stable (at 20.1% of GDP), which could be interpreted as an inflexion point in line with the improvement in economic activity on the continent. In particular, value added tax (VAT) income is forecast to pick up —after falling sharply in 2016— thanks to stabilization in private consumption and an upturn in imports. Surprisingly, the average income tax take did not decline as much as that of VAT, owing partly to the extraordinary income generated by programmes to regularize undeclared assets in several countries (see box I.1). Although other countries are expected to implement similar programmes in 2017, income tax collection is not likely to increase significantly, owing to the anticipated drag on 2017 from weaker national income in 2016.

Figure I.34

Latin America: income tax revenue and value added tax (VAT), 12-month cumulative rate, first quarter of 2013–first quarter of 2017
(Percentages of GDP)



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

^a Figures for South America correspond to Argentina, Brazil, Chile, Colombia, Peru and Uruguay.

^b Figures for Central America correspond to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Box I.1

Impact on the region of tax amnesty programmes for undeclared assets abroad

In recent years several South American countries have implemented tax amnesty programmes with a view to formalizing undeclared activities, assets and income, and to boosting tax revenue in a period of sharp economic contraction. In some countries, these programmes allowed taxpayers to regularize undeclared assets (in or outside the country, depending on the programme) upon payment of a special tax or fine. The following table outlines the main characteristics of the three largest asset regularization programmes in the region, those of Argentina, Brazil and Chile. Notably, the revenues generated by these programmes far exceeded authorities' expectations, representing 0.6% of GDP in Chile, 0.8% in Brazil and 1.8% in Argentina. This outcome stems, in part, from the fact that these countries are signatories of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, led by the Organization for Economic Cooperation and Development (OECD), with over 100 jurisdictions worldwide, which will enter into force in 2017 or 2018 (ECLAC, 2017).

Outcomes of recent undeclared asset regularization programmes

Country	Programme	Rates	Duration	No. of declarations	Declared assets	Revenue
Argentina	Tax Amnesty Programme	Special tax with progressive rates of up to 10% (for declarations in 2016) and up to 15% (for declarations in 2017)	1 August 2016 to 30 March 2017	254,700 (96% by individuals, 4% by companies)	US\$ 116.8 billion (80% corresponding to assets abroad)	US\$ 10.178 billion (US\$ 148.6 billion Argentine pesos, or 1.8% of GDP)
Brazil	Asset regularization programme	15% for income tax and another 15% as a fine	4 April 2016 to 31 October 2016	25,114 (99.6% by individuals, 0.4% by companies)	US\$ 53.4 billion (169.941 billion reais)	US\$ 16 billion (50.981 billion reais, or 0.8% of GDP)
Chile	Voluntary and exceptional system for the declaration of assets or income abroad	Exceptional flat tax of 8%	Up to 31 December 2015	7,832	US\$ 19 billion	US\$ 1.502 billion (0.6% of GDP)

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

Box I.1 (concluded)

There may be a new injection of income from these programmes in the region in 2017. At the end of 2016, the Governments of Mexico and Peru adopted similar programmes relating to undeclared assets. In Mexico, the programme entails the payment of an 8% tax and the repatriation of assets for a period of at least two years during which the money must be invested in productive activities within the country. In Peru, the temporary replacement income tax plan for the declaration, repatriation and investment of undeclared income includes a 7% payment on money that is repatriated and invested in the country for a period of no less than three consecutive months, or the payment of 10% of the value of assets that remain outside the country. Mexico is one of the countries that has committed to the automatic exchange of financial information from 2017 onwards (which is underscored by the country's tax administration service in the information provided on the capital repatriation programme), while Peru has still not signed up to this international framework.

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

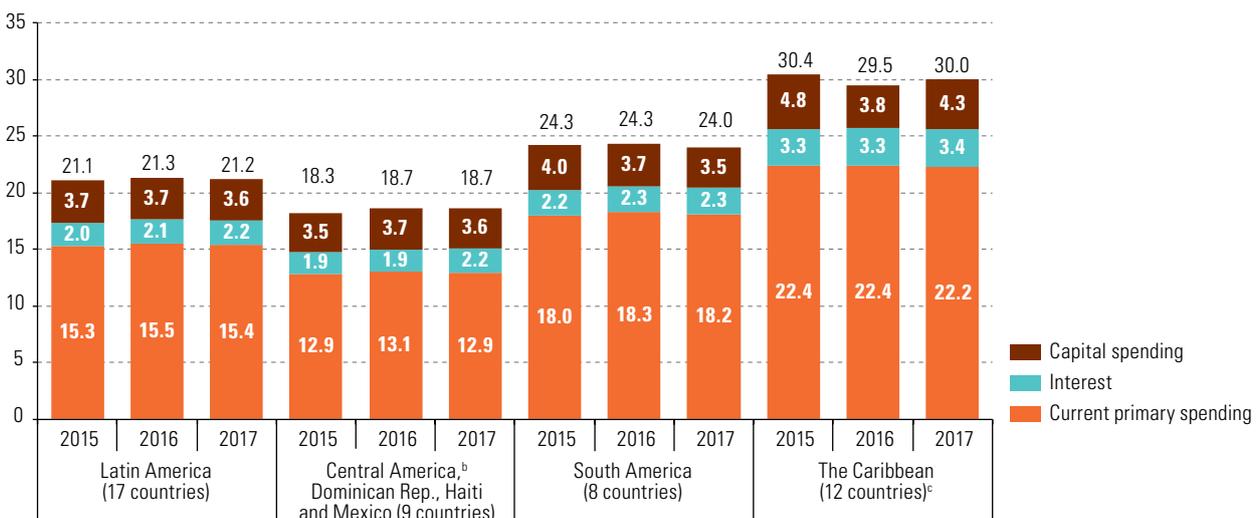
Total public revenue in the Caribbean will rise from 27.4% of GDP in 2016 to 27.7% in 2017, despite very mixed performances by individual countries. Significant increases are expected in the income tax take in Antigua and Barbuda (1.9 percentage points of GDP) and Belize (1.4 percentage points) owing to new tax collection measures—particularly in relation to property tax—and the introduction of new taxes, such as the tax on international banking income in Antigua and Barbuda. Meanwhile, tax income will continue to decline in Suriname, reflecting the grave economic situation in that country.

4. Public spending cuts are expected in Latin America in 2017, led by South American countries

The ongoing fiscal consolidation in several countries will be reflected in the performance of Latin America as a whole in 2017. As shown in figure I.35, total public spending in the region will fall, on average, from 21.3% of GDP in 2016 to an estimated 21.2% in 2017. This means a return to 2015 levels, following a sharp increase in the north of the region in 2016.

Figure I.35

Latin America and the Caribbean: composition of central government spending, 2015-2017^a
(Percentages of GDP)



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

^a Simple averages. Figures for 2017 are budget projections. In Mexico and Peru, figures correspond to the federal public sector and the general government, respectively.

^b Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

^c The average for the Caribbean excludes Dominica.

Average capital spending—which includes public investment—will decline for Latin American countries (from 3.7% of GDP in 2016 to 3.6% in 2017). Unlike in 2016, decreases are expected across both the north and south of Latin America. In particular, budgets point to much lower capital expenditure in Colombia and in Mexico (compared with the high level seen in 2016 in the latter country, owing to transactions involving PEMEX and the Federal Electricity Commission (CFE)). Trends across the countries are mixed, with increases in capital spending expected in Guatemala, Honduras and Peru (representing 0.6 percentage points of GDP in each case) and in Nicaragua (0.8 percentage points). Peru cut capital spending—as well as current spending—at the end of 2016 as a fiscal consolidation measure.

Similarly, budgets indicate a slight reduction in average current primary spending—which does not include interest payments—for Latin American countries (from 15.5% of GDP in 2016 to 15.4% in 2017), owing to cuts across all subregions. Spending is expected to be reduced sharply in Argentina (2.3 percentage points of GDP), Brazil (0.6 percentage points) and Colombia (0.7 percentage points).

Meanwhile, interest payments will continue to rise as a share of total public spending in Latin America (from 2.1% of GDP in 2016 to 2.2% in 2017), owing in large part to exchange-rate trends—determined by the weight of debt issued in other currencies, mainly dollars—and to the increase in interest rates deriving from variable rate instruments or short-term debt issues at higher rates. The increase in public debt servicing is more evident in the north of Latin America (where the average is projected to climb from 1.9% of GDP in 2016 to 2.2% in 2017) than in the south (where the average rate is expected to remain stable at 2.3% of GDP).

Changes in public spending do not tend to have a uniform impact on the functions of government. Hence, a decline may have a significant impact on some functions that play a crucial role in countries' socioeconomic development (see box I.2).

Box I.2

Examining public spending cuts on the basis of the functions of government

The classification of public spending by function allows an analysis of spending priorities and shows how public resources are allocated based on their socioeconomic purposes and objectives. Spending by function of government—including public services; public order, safety and defence; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education and social protection—helps to identify priorities and thus ensure efficient resource allocation.

Declining growth in the region has led to fiscal adjustments in most countries, implying weaker public spending. A comparison between 2016 and 2017 shows more limited spending in most of the countries for which 2017 data are available based on this classification. Argentina reflects the largest decline (3.5 percentage points of GDP), deriving mainly from a decrease in spending on economic affairs, particularly for energy, fuel and mining, and a reduction, albeit smaller, in social spending (which includes the following functions: environmental protection; housing and community amenities; health; recreation, culture and religion; education and social protection).

Mexico has made heavy cuts to spending on economic affairs (mainly fuel and energy) and Peru is scaling back spending on public services in particular. Brazil, which recorded a smaller decline, is setting aside less funds for employment subsidies and other transfers. By contrast, countries such as Costa Rica, Guatemala and Paraguay are increasing spending both on social categories such as education and health, and on economic affairs.

Box I.2 (concluded)

Latin America (8 countries): central government spending on the basis of functional classification, 2016–2017^a
(Percentage points of GDP)

Country	General public services	Public order, safety and defence	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	Total spending
Argentina	-0.3	-0.1	-2.6	0.0	-0.1	-0.1	0.0	-0.2	-0.2	-3.5
Brazil	-0.2	0.0	0.2	0.0	0.0	0.0	-0.1	0.2	-0.5	-0.5
Costa Rica	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.4	0.1	1.1
Dominican Republic	-0.1	0.0	0.0	0.0	0.0	0.3	0.0	0.1	0.0	0.3
Guatemala	0.1	0.2	0.4	0.1	0.1	0.1	0.0	0.3	0.1	1.4
Mexico ^b	-0.1	-0.1	-1.2	0.0	0.1	0.1	0.0	0.2	0.2	-0.9
Paraguay	0.2	0.0	0.1	0.0	0.0	0.4	0.0	0.5	0.5	1.8
Peru ^c	-0.7	0.0	0.0	0.0	0.2	-0.1	0.1	-0.2	-0.1	-0.8

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

^a The Classification of Functions of Government (COFOG) established by the United Nations Statistics Division is used. Figures for 2017 derive from public budgets.

^b Public sector coverage (including only budgeted spending).

^c National government coverage.

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

Public spending in the Caribbean is expected to increase (from 29.5% of GDP in 2016 to 30.0% in 2017) with a slight change in make-up, partly reflecting the reconstruction needs of some Caribbean countries in the aftermath of Hurricane Matthew's passage through the subregion in October 2016. In particular, capital spending is expected to rise from 3.8% of GDP in 2016 to 4.3% of GDP in 2017, driven mainly by increases in Saint Kitts and Nevis and Saint Lucia. Meanwhile, current primary spending may decrease slightly, from 22.4% of GDP in 2016 to 22.2% in 2017, owing especially to trends in Antigua and Barbuda, Barbados, Saint Kitts and Nevis and Suriname.

5. Subnational governments' fiscal space has also diminished

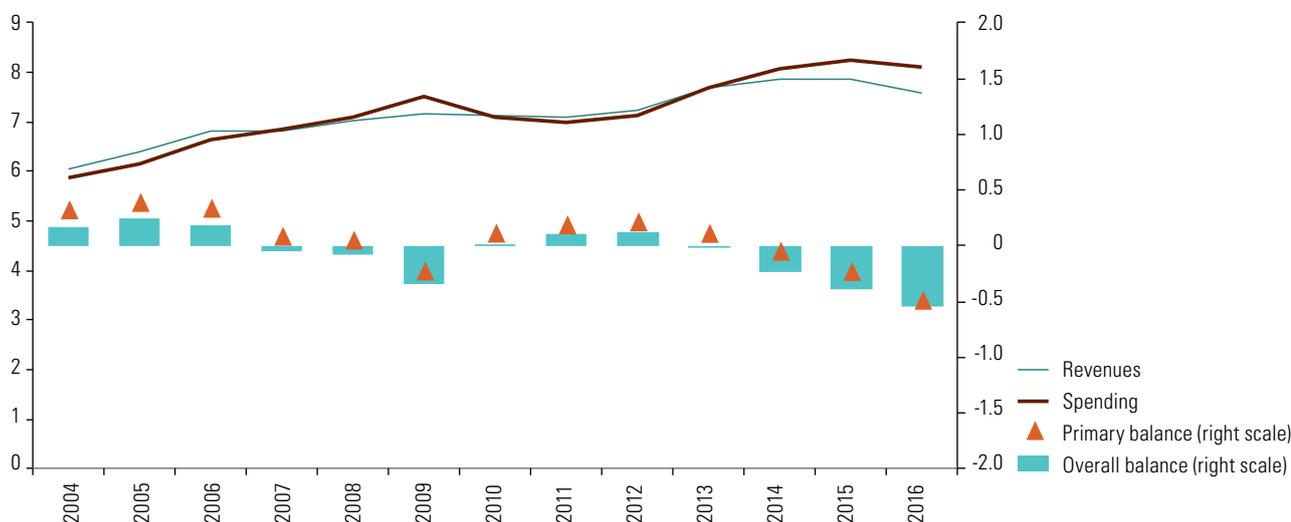
Central government coverage on its own is not entirely representative for some countries of the region with more decentralized public sectors. With a view to broadening this coverage, the trends in subnational public finances of the most decentralized countries of the region are presented below. With respect to the fiscal balance, although subnational governments, on average, recorded primary surpluses between 2004 and 2013 (except in 2009), primary and overall deficits have worsened in the past three years (see figure I.36).

Fiscal balances were most volatile in countries with non-renewable natural resources, such as Ecuador and Peru, owing to fluctuating prices, while the subnational governments of Brazil and Mexico recorded primary surpluses over most of the period.³⁸

³⁸ Subnational governments in Brazil were obliged by subnational debt reconstruction agreements signed in 1997 to generate primary surpluses in order to service restructured debt. In Mexico, legal limits on subnational debt were recently tightened, and the federal government has, on a number of occasions, used discretionary transfers to ensure that states meet these limits. See Jiménez and Ter Minassian (2016).

Figure I.36

Latin America (10 countries): fiscal performance of subnational governments, 2004-2016^a
(Percentages of GDP)



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

^a Countries included are: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, Plurinational State of Bolivia, and Uruguay. Figures for 2016 are estimates.

This trend in the average subnational balance stems mainly from the performance of overall fiscal revenues, which rose steadily until 2014 and then fell in 2016. Most of the increase stemmed from the growing weight of central government transfers. On average, total transfers rose from 2.6% of GDP in 2000 to 3.7% in 2016, accounting for a considerable share of subnational revenues, while own resources climbed from 2.8% of GDP to 3.7% in the same period (see figure I.37A).

There are marked differences in the relative weight of own revenue (tax and non-tax) in the overall income of subnational governments. In the region's most decentralized countries, the main source of these governments' public revenues is the central government transfer system, except in Brazil, where own resources account for more than half (79.3%) of States' and municipal authorities' total income, representing 10.7% of GDP (more than 90% of which stems from tax revenue) (ECLAC, 2017; OECD/ECLAC/CIAT, 2017).³⁹ Additionally, in the past decade, fiscal revenues from the exploitation of non-renewable natural resources have been a major source of public income, both for central and subnational governments (Brosio and Jiménez, 2016; ECLAC, 2017).

Subnational governments' tax take has grown only slightly in the past 10 years (contrasting with the trend in central government tax revenues) and this poor performance is linked not only to a weaker tax effort but also to a smaller tax base at these levels of government. A deeper analysis by type of tax shows two that usually dominate subnational collection: tax on real estate, for which collection accounts for about 0.5% of GDP, and on economic activity, which exceeds 1.5% of GDP (see figure I.37B).⁴⁰

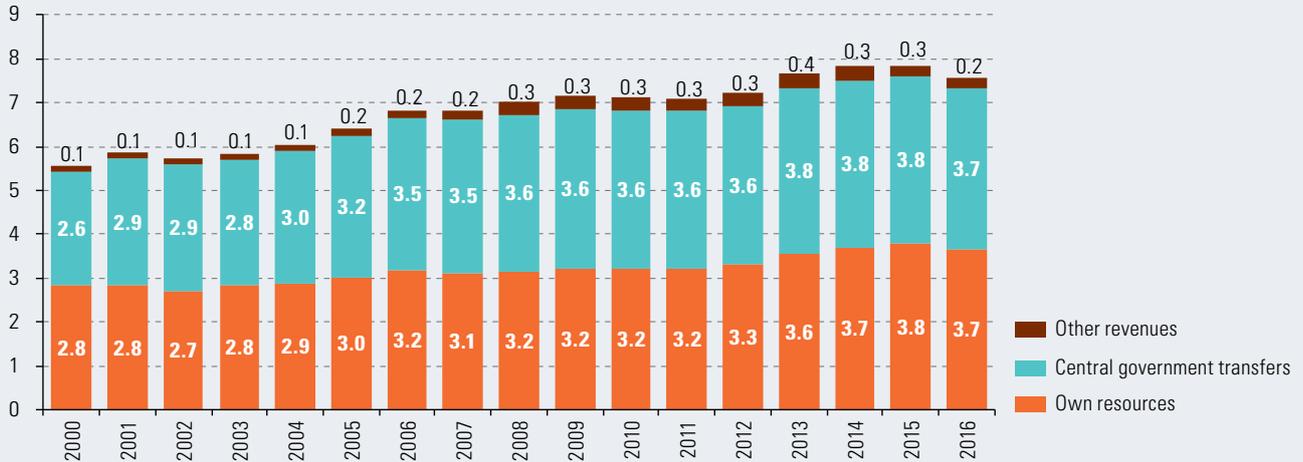
³⁹ Within countries, too, there are differences in the make-up of subnational finances. The weight of subnational governments' own income varies considerably in each country, reflecting, among other factors, the distribution of the corresponding tax bases, the ownership and appropriation mechanism of non-renewable natural resources, administrative capacity and the tax-raising efforts of the different jurisdictions. On this subject, Jiménez and Ter-Minassian (2016) analyse in further detail this type of vertical asymmetry between levels of government, also incorporating an analysis of subnational governments' spending and debt.

⁴⁰ OECD/ECLAC/CIAT (2017) includes a detailed analysis by country and by type of tax at the subnational government level.

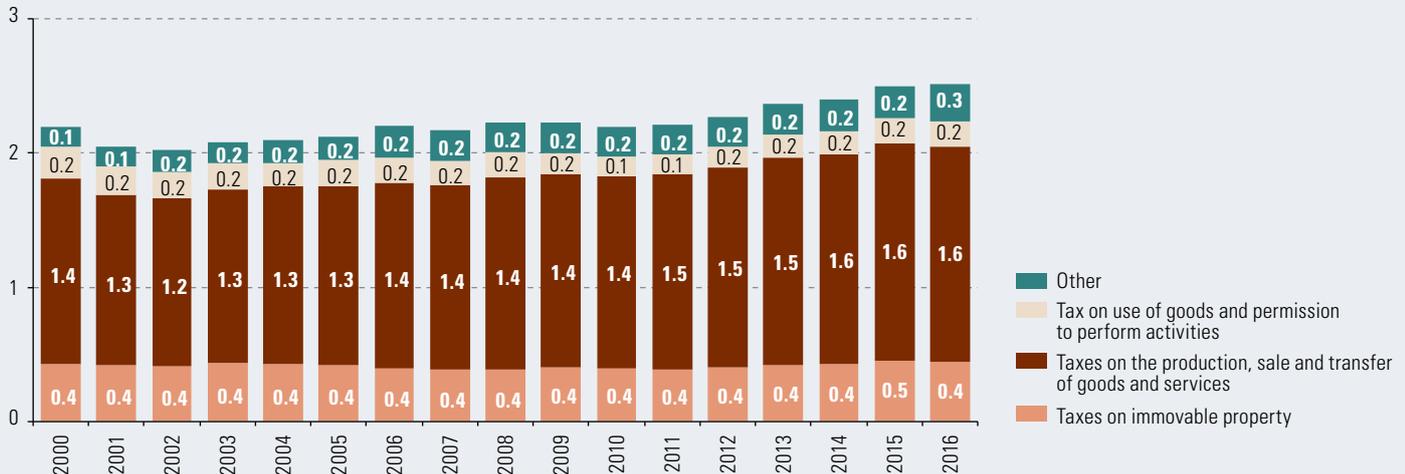
Figure I.37

Latin America: composition of subnational governments' fiscal and tax revenues, 2000–2016
(Percentages of GDP)

A. Latin America (10 countries): subnational fiscal revenues^a



B. Latin America (9 countries): subnational tax revenues^b



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development/ Economic Commission for Latin America and the Caribbean/Inter-American Centre for Tax Administrators (OECD/ECLAC/CIAT), *Revenue Statistics in Latin America and the Caribbean 2017*, Paris, 2017.

^a Includes Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, Plurinational State of Bolivia and Uruguay. Figures for 2016 are estimates.

^b Includes Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru and Uruguay. Figures for 2016 are estimates.

The growth and make-up of subnational government spending also varies among the region's countries. This spending rose as a percentage of GDP in most countries under review in the past decade, but growth rates varied considerably from one country to the next: they were highest in the Plurinational State of Bolivia (6.1% of GDP), Argentina (5.2%), Peru (2.1%) and Mexico (1.4%). By contrast, spending was fairly limited in Brazil, Chile, Colombia and Ecuador. The composition of subnational spending also differed. The proportion of current expenditures remained high and relatively stable in Argentina, Brazil, Chile and Mexico; rose sharply in Peru (from 40% to 60% of income), reflecting in particular subnational governments' weakness in preparing and executing

investment projects; declined in Colombia and, especially, in the Plurinational State of Bolivia, owing to significant subnational investment efforts, driven by growth in the non-renewable natural resources sector.⁴¹

With respect to subnational government debt,⁴² figure I.38A shows a considerable decrease, on average, in the past decade, from almost 9% of GDP in 2004 to 4.6% in 2014, but an increase in the past two years. Meanwhile, this type of debt accounts for a larger proportion of total income, at more than 30% on average.⁴³

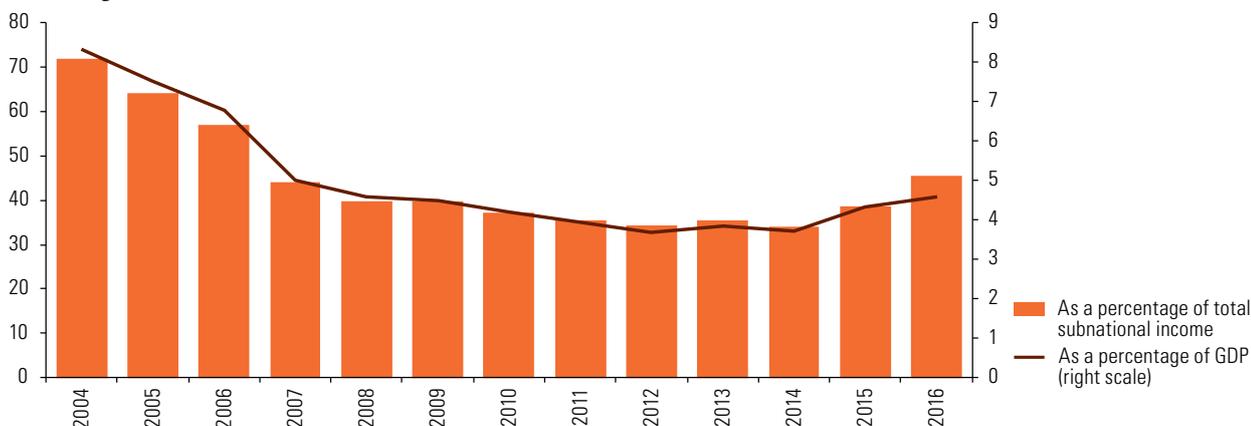
A comparison among countries (figure I.38B) shows clear differences relating to debt. Although Argentina and Brazil have reduced their debt levels significantly over the period, there are major differences between these two countries and others with respect to subnational government debt. During the decade under review, the average debt of provincial governments in Argentina was close to 8% of GDP, down more than eight percentage points over the period. Meanwhile, Brazil's average subnational government debt amounted to almost 14% of GDP, after falling more than four percentage points in the same period. In both countries, however, this type of debt rose in the last two years.

Figure I.38

Latin America (5 countries): subnational debt, 2004-2016^a

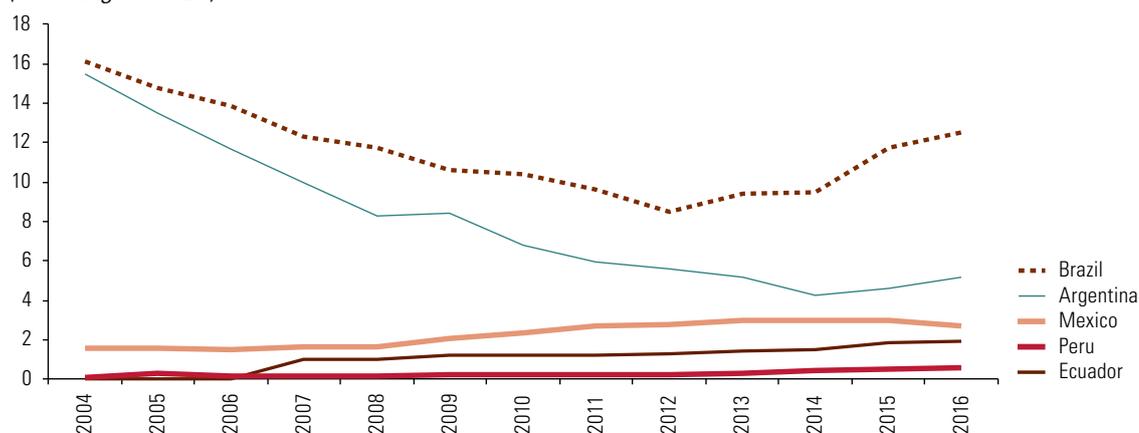
A. Average for 5 countries^b

(Percentages of GDP and of total revenues)



B. Argentina, Brazil, Ecuador, Mexico and Peru

(Percentages of GDP)



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

^a Data for 2016 are estimates.

^b Includes Argentina, Brazil, Ecuador, Mexico and Peru.

⁴¹ For more details see Jiménez and Ter-Minassian (2016).

⁴² Data are included for five countries: Argentina, Brazil, Ecuador, Mexico and Peru. For further details, see Jiménez and Ruelas (2017).

⁴³ The subnational debt-to-income ratio is a better indicator of debt servicing capacity, and thus sustainability of debt, than the debt-to-GDP ratio.

6. Policymakers have used the scope they have to stimulate aggregate domestic demand, but their latitude has narrowed greatly in some countries

The slowdown in aggregate domestic demand in most of the region's economies, particularly when it comes to variables such as investment and private consumption, has led the region's monetary and exchange-rate authorities to adopt expansionary policies. In some cases, however, the latitude available to policymakers has narrowed considerably, partly because inflation has remained above official targets despite the weakness of aggregate demand growth, and partly because of external factors that have increased macrofinancial uncertainty and exchange-rate volatility in many countries of the region.

In countries that employ monetary policy rates as their main policy instrument, these rates have usually moved with inflation. Thus, the central banks of the South American countries where inflation has fallen have cut their policy rates. Although this process began in 2016, it continued during the first five months of 2017, when rates were cut by 350 basis points in Brazil, 100 basis points in Chile, 100 basis points in Colombia and 25 basis points in Peru.

In other South American economies, such as Argentina and Paraguay, the dynamics of the monetary policy rate were different. Argentina adopted inflation targeting as a monetary policy benchmark in January 2017, and accordingly uses policy rates as its main instrument. While inflation has come down since mid-2016, it has remained above target, leading the central bank to raise its reference rates by 150 basis points during the first five months of 2017. In Paraguay, meanwhile, the central bank has decided to keep its monetary policy rate unchanged, despite falling inflation.

The central banks of the region's north have found themselves with less scope to stimulate economic activity and have responded to higher inflation and the exchange-rate volatility affecting some of the subregion's currencies since mid-2016 by raising their reference rates. In the case of Mexico, this process gathered pace in 2016, when higher inflation went along with depreciation of the peso because of the uncertainty generated by the presidential elections in the United States and then Donald Trump's victory. The effects of this exchange-rate volatility continued during the first five months of 2017.

During those months, in fact, monetary policy rates rose twice in Mexico, three times in Costa Rica and once in the Dominican Republic, giving cumulative increases of 100, 225 and 25 basis points, respectively. In Guatemala, the central bank opted not to alter the monetary policy rate even though inflation had retreated (see figure I.39).

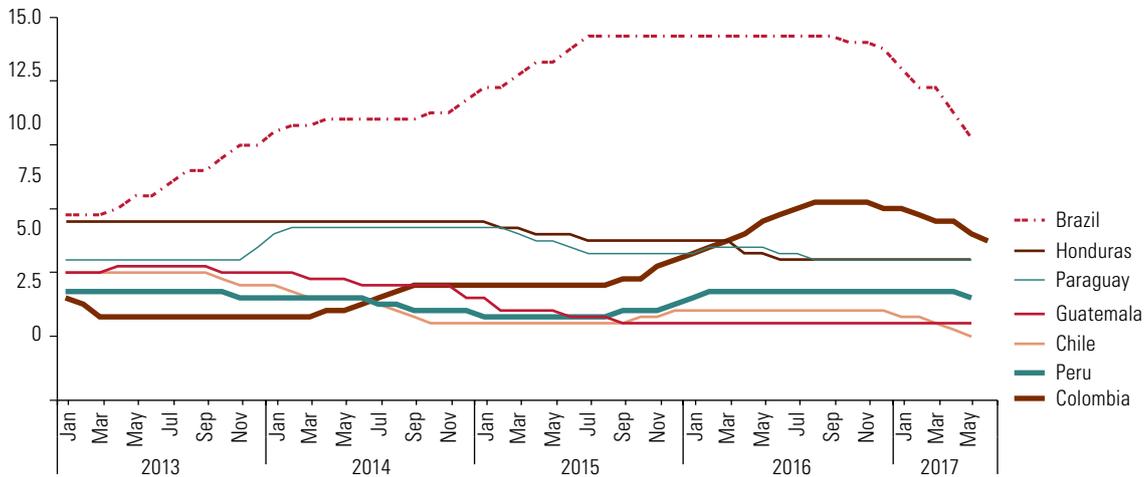
In 2016 and the first quarter of 2017, the economies whose authorities use monetary aggregates as their main monetary policy instrument showed positive and usually rising rates of growth in the major aggregates. This seems to indicate that these countries' central banks were taking advantage of the scope provided by relatively low and stable inflation⁴⁴ to adopt monetary policies that would stimulate aggregate demand.

In the first quarter of 2017, the monetary base grew by over 10% in Haiti, Honduras and Uruguay and expanded faster than before in Nicaragua and Uruguay. In the case of the Plurinational State of Bolivia, the monetary base contracted in the first quarter of 2017, but the decline was smaller than in 2016 and was due to bank excess reserves being run down for lending. In the case of the Bolivarian Republic of Venezuela, the monetary base grew by 300% in the first quarter of 2017, making this the thirteenth quarter running in which it had grown by over 70% and the eighth in which it had grown by over 90%.

⁴⁴ The exceptions within this group are the Bolivarian Republic of Venezuela, Haiti and Suriname, which had two- or three-digit inflation rates in the period.

Figure I.39

Latin America (selected countries): monetary policy rates in countries where these are the main instrument, January 2013–May 2017 (Percentages)

A. Countries holding or cutting rates**B. Countries increasing rates**

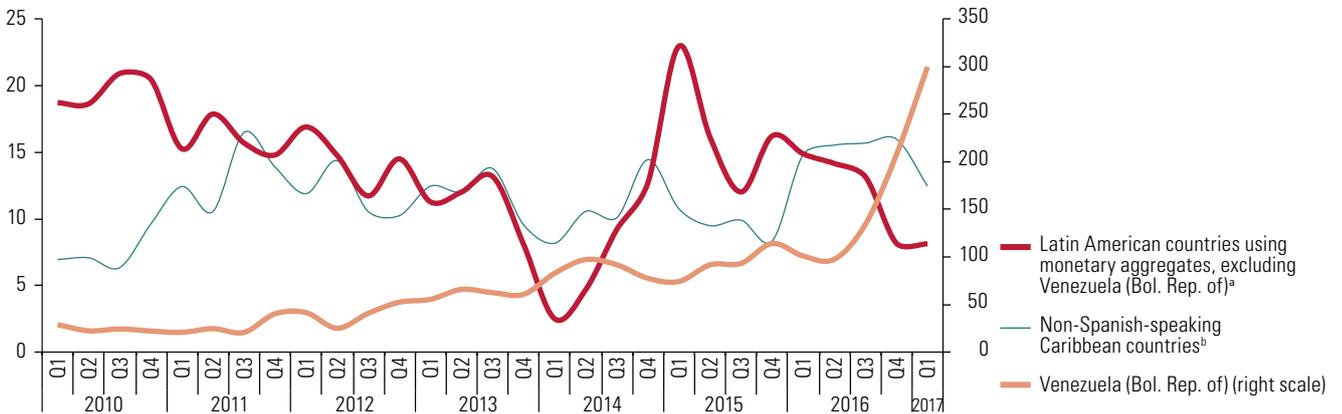
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

These aggregates still rose more slowly than estimated inflation, however, indicating a drop in the demand for money in the Venezuelan economy. The dynamics of M1 were very similar, with this aggregate displaying growth rates of over 4.5% in all the countries of Latin America that use aggregates as their main monetary policy instrument.

While the tendency in the non-Spanish-speaking Caribbean economies has been towards slower growth in the monetary aggregates, there has been considerably greater variation there than in the rest of the region. On the one hand, the monetary base contracted in 2016 and again in the first three months of 2017 in economies such as Antigua and Barbuda, Belize, Saint Lucia and Trinidad and Tobago. In other countries, such as Grenada and Saint Kitts and Nevis, the monetary base grew during 2016 but shrank in the first quarter of 2017. In economies such as Dominica, Jamaica and Suriname, meanwhile, the monetary base grew in 2016 and the pace of growth accelerated in the first three months of 2017 (see figure I.40).

Figure I.40

Latin America and the Caribbean (groups of selected countries): evolution of the monetary base in countries where aggregates are the main monetary policy instrument, first quarter of 2010–first quarter of 2017
(Percentages)



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

^a Ecuador, El Salvador, Haiti, Nicaragua, Panama, Plurinational State of Bolivia and Uruguay.

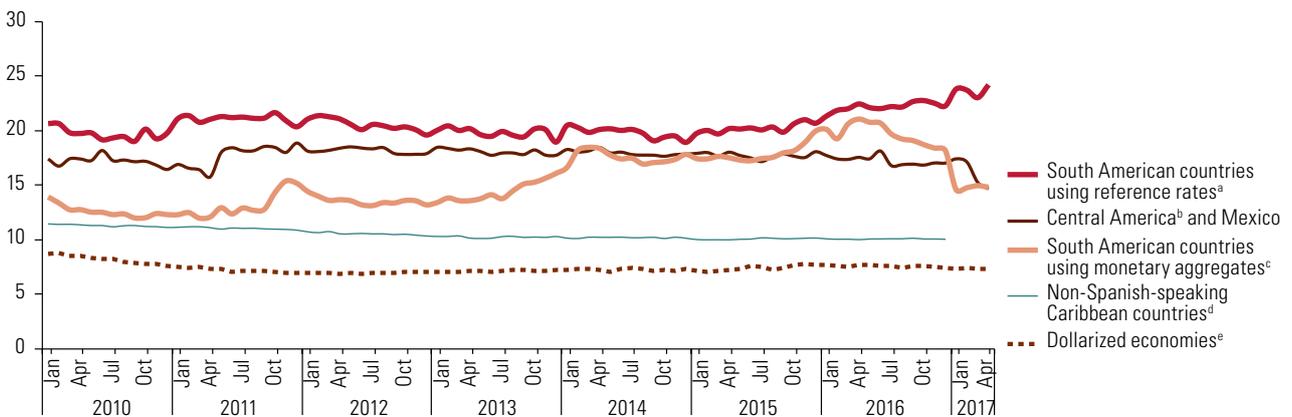
^b Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Suriname and Trinidad and Tobago.

7. In the first five months of 2017, lending interest rates fell and credit to the private sector grew more slowly

Because of the policies described, the trajectory of market interest rates has been quite stable, albeit with a slight downward bias since mid-2016 in dollarized economies and those of the English-speaking Caribbean and sharper falls in the South American economies that use aggregates as their main policy instrument and in the economies of Central America and Mexico. As regards the South American economies that use interest rates as their main policy instrument, these rates have trended upward since 2016, although they fell slightly in the first four months of 2017 (see figure I.41).

Figure I.41

Latin America and the Caribbean (groups of selected countries): average lending interest rates, January 2010–April 2017
(Percentages)



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

^a Argentina (from 2017), Brazil, Chile, Colombia, Paraguay and Peru.

^b Costa Rica, Dominican Republic, Guatemala, Haiti, Honduras and Nicaragua.

^c Argentina (up to 2016), Bolivarian Republic of Venezuela, Plurinational State of Bolivia and Uruguay.

^d Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

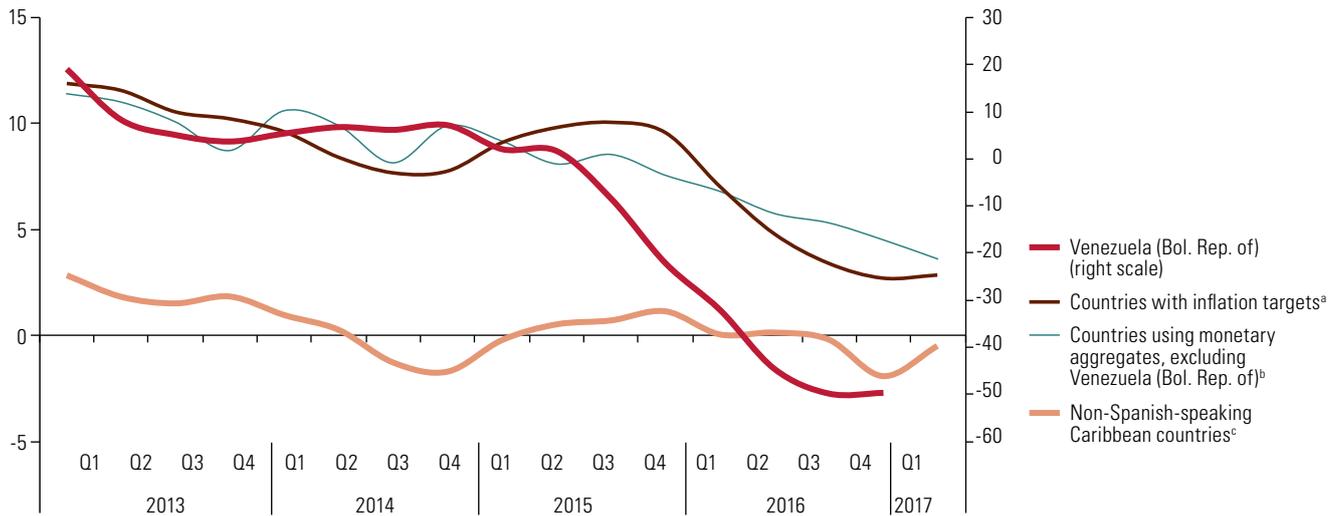
^e Ecuador, El Salvador and Panama.

Growth in domestic lending to the private sector slowed in nominal terms during the first quarter of 2017, especially in the South American economies. After inflation, there were large real-term falls in the Bolivarian Republic of Venezuela (-57.9%), Brazil (-7.4%), Paraguay (-2.5%) and Uruguay (-10.05%). In other economies of the region's south, such as Argentina, Chile, Colombia and Peru, real lending growth was very low. Only in Ecuador and the Plurinational State of Bolivia did lending to the private sector grow by more than 7.0% in real terms year-on-year.

In the economies of Central America and Mexico as a group, domestic lending grew by an average of 6.9% in real terms in the first quarter of 2017, with rates of over 6.0% in the Dominican Republic (9.5%), Mexico (7.2%) and Nicaragua (11.2%). Credit rose in real terms in the dollarized economies, with increases of over 5.0% in Ecuador, El Salvador and Panama. In the English-speaking Caribbean, domestic lending to the private sector rose by 19.9% in Jamaica and contracted by 14.5% in Suriname (see figure I.42).

Figure I.42

Latin America and the Caribbean (groups of selected countries): average annualized rates of growth in domestic lending to the private sector, first quarter of 2013–first quarter of 2017 (Percentages)



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

^a Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Paraguay and Peru.

^b Ecuador, El Salvador, Haiti, Nicaragua, Plurinational State of Bolivia and Uruguay.

^c Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

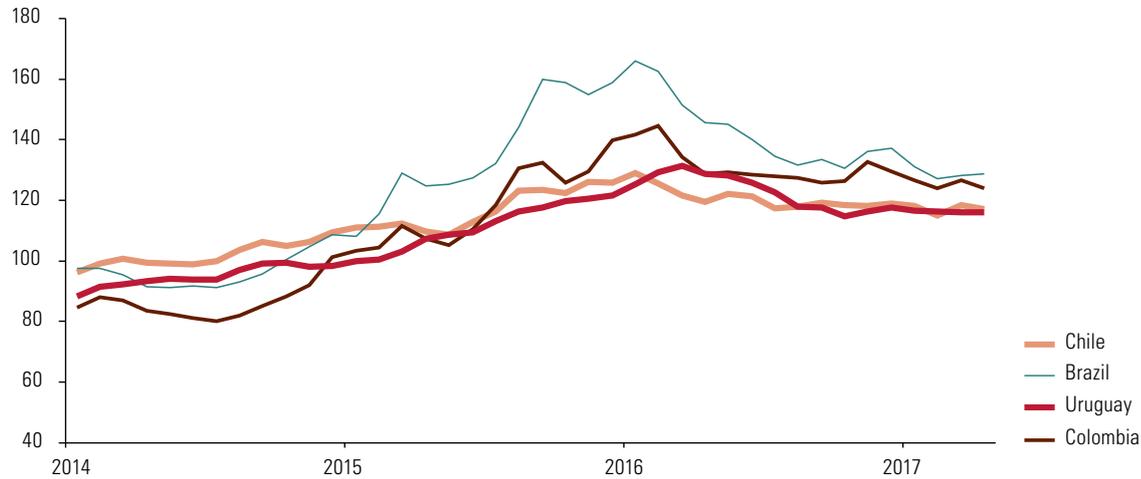
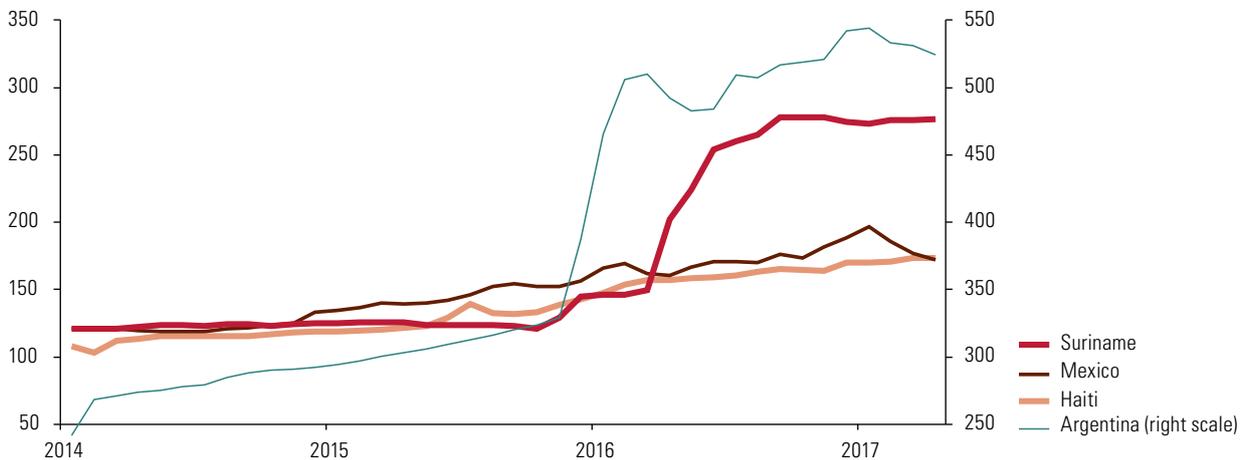
The reduced dynamism of domestic lending could limit any economic recovery in the region, especially in those economies where investment has been contracting.

8. The region's currencies behaved heterogeneously in 2016 and the first four months of 2017: broadly, the currencies of the southern economies strengthened while those of the northern economies depreciated, with some countries, such as Mexico, experiencing both developments at different times

The average nominal exchange rates of 19 countries were weaker in 2016 than in 2015, with seven currencies depreciating by over 10%. However, the exchange rates of countries such as Brazil, Chile, Colombia, Peru and Uruguay either depreciated only slightly or actually appreciated between December 2015 and December 2016, as figure I.43 shows.

Figure I.43

Latin America and the Caribbean (selected countries): index of nominal exchange rates against the dollar, January 2014–April 2017
(Base: January 2005=100)

A. Brazil, Chile, Colombia and Uruguay**B. Argentina, Suriname, Haiti and Mexico**

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

In general, factors such as the expansionary monetary policies applied by the developed countries (those of Europe in particular), expectations of recovery in some regional economies such as Brazil and various other events revived investors' appetite for emerging-market assets during part of the period, in a context where the prices of the commodities exported by the region had stabilized at lower levels than in 2014.

At the same time, the currencies of countries such as Argentina, Haiti, Mexico and Suriname depreciated sharply for different reasons between December 2015 and December 2016.

In Suriname, the large drops in oil and gold prices and the closing down of bauxite/alumina production against a background of fiscal deficits, balance-of-payments problems, recession and inflation led to a large depreciation of the Suriname dollar. The central bank devalued the currency in November 2015, ending the peg, before introducing a system of currency auctions in March 2016 and then deciding to let the Suriname dollar float

in May 2016. Overall, these measures resulted in an 89.17% nominal depreciation of the currency between December 2015 and December 2016, accompanied by inflation of 52.4% over the period.

In Argentina, after the December 2015 abolition of a number of restrictions on currency market operations (which had opened up a large gap between the official and parallel dollar conversion rates), the official peso exchange rate first underwent a large depreciation and then, during 2016, moved with inflation, which began to ease. Thus, the peso depreciated by an average of 59.41% between 2015 and 2016 but just 40.08% between December 2015 and December 2016.

In Mexico, the nominal peso exchange rate was affected by the uncertainty surrounding the United States election campaign and by a context of low growth, depressed oil prices, domestic policy adjustments with all their political costs, and inflation above the central bank target. Because of these factors, the Mexican peso depreciated by 20.2% against the dollar between December 2015 and December 2016.

The Haitian gourde depreciated by 18.91% during the same period, in a context marked by political uncertainty and the severe damage caused by hurricane Matthew, and by a large shortfall in the balance-of-payments current account.

In the first four months of 2017, the currencies of countries such as Brazil, Colombia, Paraguay and Peru followed an appreciating trend relative to December 2016 because of improvements in the prices of certain commodities (such as copper) and a reduction in the uncertainty affecting the dollar after the United States elections. This was despite cuts to monetary policy interest rates in countries such as Brazil, Colombia and Peru.

The Mexican peso appreciated from January 2017 in response to improvements in agents' expectations about future trade ties between Mexico and the United States relative to the period preceding the presidential elections.

However, the currencies of certain countries that have continued to face major macroeconomic challenges, such as the Bolivarian Republic of Venezuela, Haiti and Suriname, carried on depreciating in nominal terms.

In the case of the Bolivarian Republic of Venezuela, the government and central bank made changes to the system following a 286% increase in the bolívar to dollar exchange rate in 2016, announcing on 22 May 2017 that currency sales under the DICOM system (a supplementary exchange rate for non-essential priority imports) would now be made within a band of 1,800 to 2,000 bolívares to the dollar, implying a 147% increase in the bolívar to dollar ratio when the lower limit of the band is compared with the DICOM rate applied before the measure was adopted. Large though the depreciation was, this bolívar to dollar ratio falls far short of the parallel market exchange rate, while being 180 times the DIPRO protected rate for priority activities, which is the one used for public sector imports.

9. The region's real effective exchange rate depreciated in 2016

Between December 2015 and December 2016, a combination of nominal depreciation against the dollar, domestic inflation and, in some cases, the depreciation of trading partners' currencies meant that nine countries' total effective exchange rates appreciated, in five cases by over 5% (Brazil, Chile, Colombia, Guatemala and Uruguay).

As regards the evolution of the average extraregional real effective exchange rate of South America, a situation similar to the one described for the nominal exchange rate arose during the period: taking the average for eight countries of South America,

there was an effective depreciation of 0.01% relative to the rest of the world, whereas between December 2015 and December 2016 there was an effective appreciation of 8.16% for the subregion. This heavily influenced the behaviour of the extraregional real effective exchange rate of Latin America and the Caribbean as a whole, which depreciated by an average of 1.12% between 2015 and 2016 but appreciated by 1.96% between December 2015 and December 2016. The extraregional real effective exchange rate of the group comprising Central America, Mexico and the Caribbean depreciated in both periods, by 1.87% and 2.41%, respectively, a development that mainly reflected the behaviour of Mexico's effective exchange rate. The dynamics described continued during the first four months of 2017 (see figure I.44).

Figure I.44

Latin America and the Caribbean: extraregional real effective exchange-rate index, by subregion, January 2014–April 2017
(Base: 1990–2009=100)



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

10. The region's international reserves grew in the first five months of 2017, although they fell relative to GDP

The international reserves of Latin America and the Caribbean rose by an estimated 2.0% in the first five months of 2017 relative to end-2016, the equivalent of an extra US\$ 16.901 billion. The growth in reserves in Argentina (US\$ 7.374 billion) and Brazil (US\$ 11.475 billion) accounted for the entire rise.

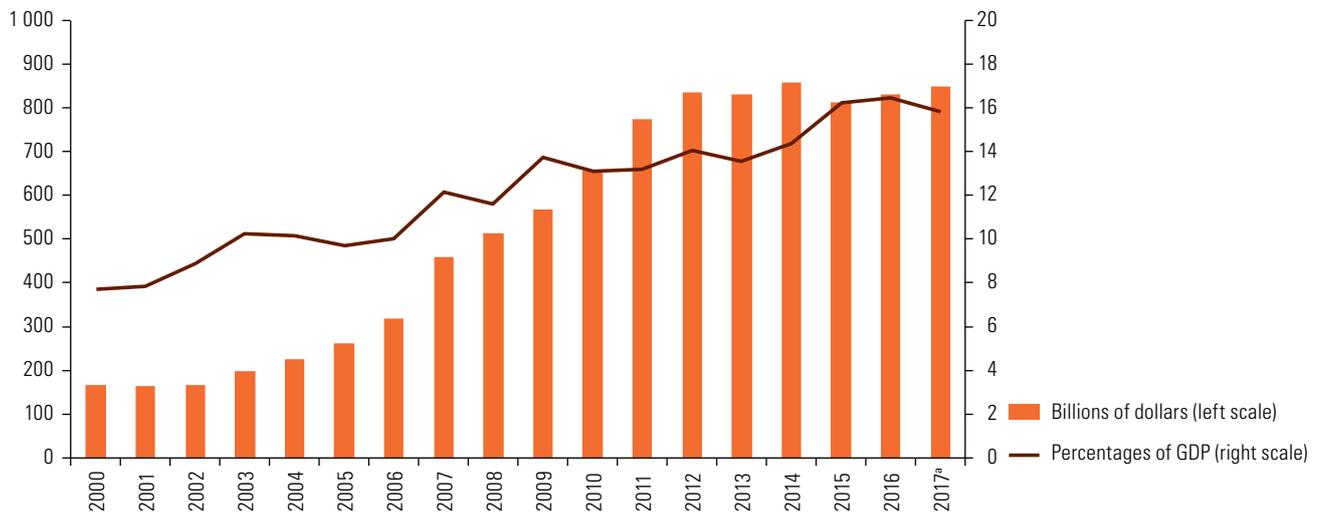
Reserves increased in 16 countries of the region between December 2016 and May 2017, with the largest relative rises being in Argentina (19.0%), Honduras (13.0%), El Salvador (11.9%), Paraguay (10.7%) and Barbados (9.9%). In this same period, by contrast, the countries whose international reserves contracted most were Ecuador (-34.5%), Costa Rica (-9.8%), Trinidad and Tobago (-5.4%), Chile (-4.0%) and Guyana (-4.0%).

It is worth emphasizing that international reserves in both the Bolivarian Republic of Venezuela and Suriname contracted by over 60% between December 2012 and May 2017, even as these two economies' currencies were losing value against the United States dollar.

Comparing the ratio of international reserves to GDP at end-2016 with that in 2015 reveals a very stable situation (see figure I.45). The countries where this ratio increased most during 2016 were Argentina, Dominica, Paraguay and Saint Vincent and the Grenadines, while the largest contractions were in Belize, the Bolivarian Republic of Venezuela, the Plurinational State of Bolivia and Uruguay. The ratio of reserves to GDP in the region as a whole dropped by 0.6 percentage points in the first five months of 2017.

Figure I.45

Latin America and the Caribbean: gross international reserves, 2000-2017
(Billions of dollars and percentages of GDP)



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

F. Economic growth projections

1. GDP growth in Latin America and the Caribbean will average 1.1%, with Central America and Mexico continuing to exhibit notably stronger growth than South America

Latin America and the Caribbean is expected to produce GDP growth of 1.1% on average in 2017, after two consecutive years of contraction.

This projection is based on international conditions that are, generally speaking, more favourable than in the past few years. In particular, the global economy is growing faster and will post a rate of 2.7%, three tenths of a percentage point up on 2016, driven by a better performance in both developed and developing economies. Global trade volumes are also picking up, with stronger growth than in recent years although they remain at low levels. Commodity prices have also picked up relative to last year's average levels. Volatility in the international financial markets has been historically low in the first half of 2017, portfolio flows to emerging economies have risen and the prices of financial assets, especially shares, have risen almost across the board, thanks to the brighter economic outlook for the year. However, despite the low volatility, indicators of global economic policy uncertainty have risen, mainly because of the perception of greater risk associated with geopolitical factors, and with trade policy leaning towards protectionism.

One notable difference from 2016 is that all the region's countries are expected to post positive growth this year, except the Bolivarian Republic of Venezuela—whose GDP will contract by 7.2%—and two Caribbean countries, Saint Lucia and Suriname, which will both see contractions of 0.2% (see figure I.46).

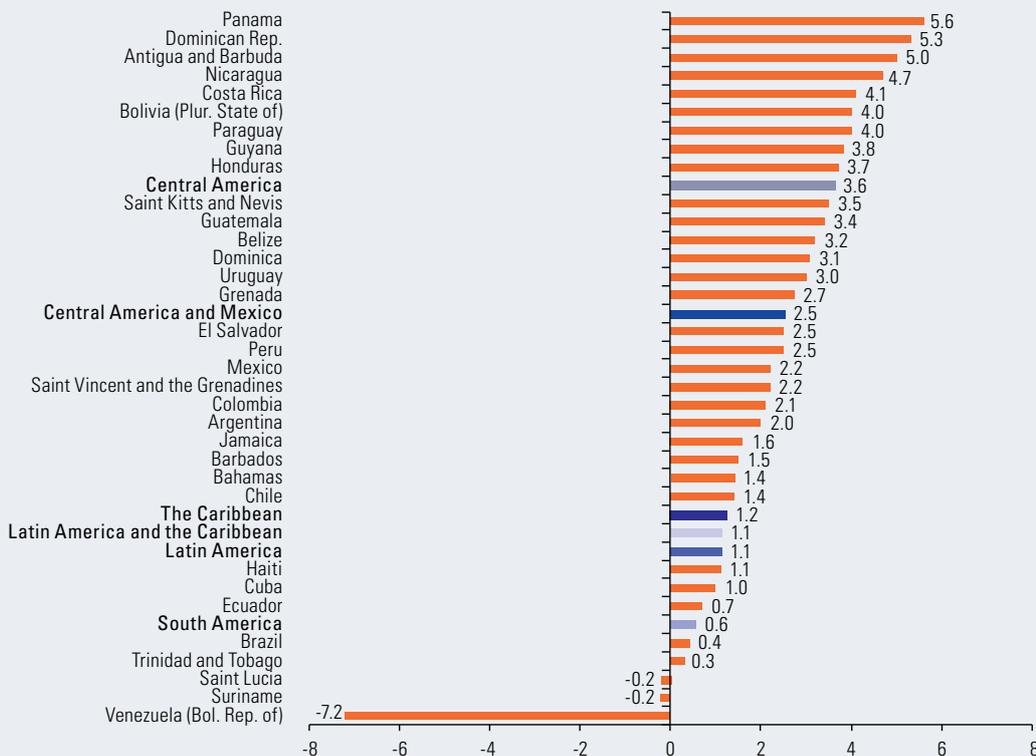


Figure I.46
Latin America and the Caribbean: GDP growth projections, 2017
(Percentages, on the basis of dollars at constant 2010 prices)

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

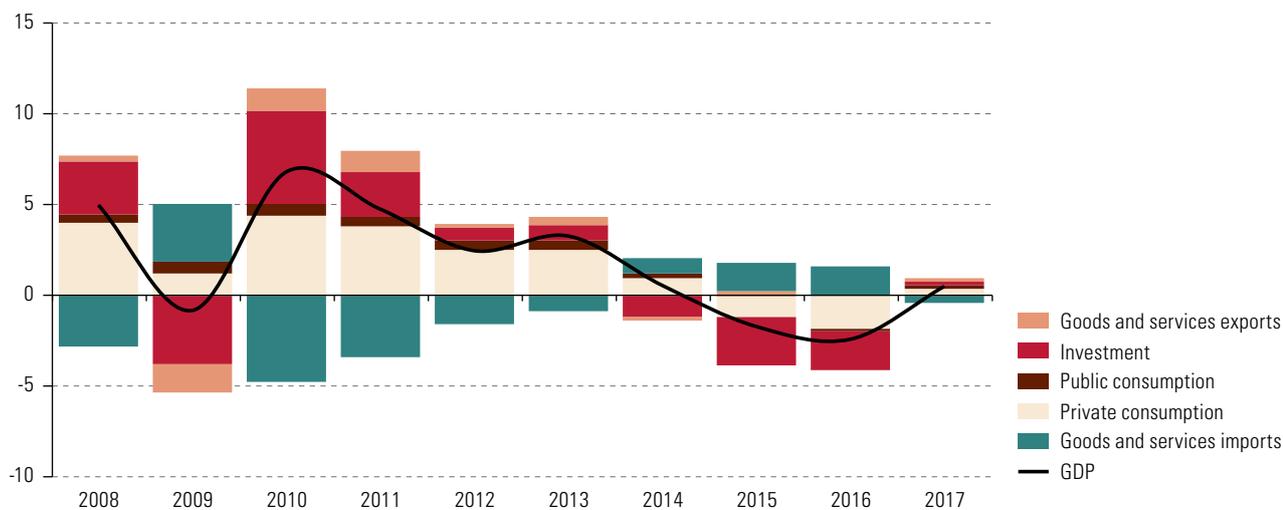
2. As in previous years, projected growth rates vary between countries and subregions, depending not only on the differentiated impacts of international conditions on each economy, but also on the very different dynamics of spending components —mainly consumption and investment— in the economies of the north and south of the region

The South American economies will benefit from the combination of stronger global growth, and thus stronger external demand, and upturns in the commodity prices, which boost not only the terms of trade and export values, but also fiscal revenues. South America is thus expected to post growth of 0.6%, after two straight years of economic contraction. Notably, Argentina, Brazil and Ecuador, which all saw contractions in economic activity in 2016, will return to growth in 2017 (2%, 0.4% and 0.7%, respectively).

In terms of expenditure, total investment will expand for the first time since 2013, by 0.9%. Private consumption will also see an uptick of 0.6%. Lastly, the external sector will make a negative (-0.2%) net contribution in 2017 (see figure I.47), owing to the rise in domestic demand, which will push imports up by 2.6%, while exports will edge up by just 1.0%.

Figure I.47

South America: GDP growth rates and contribution of aggregate demand components to growth, 2008–2017^a
(Percentages)



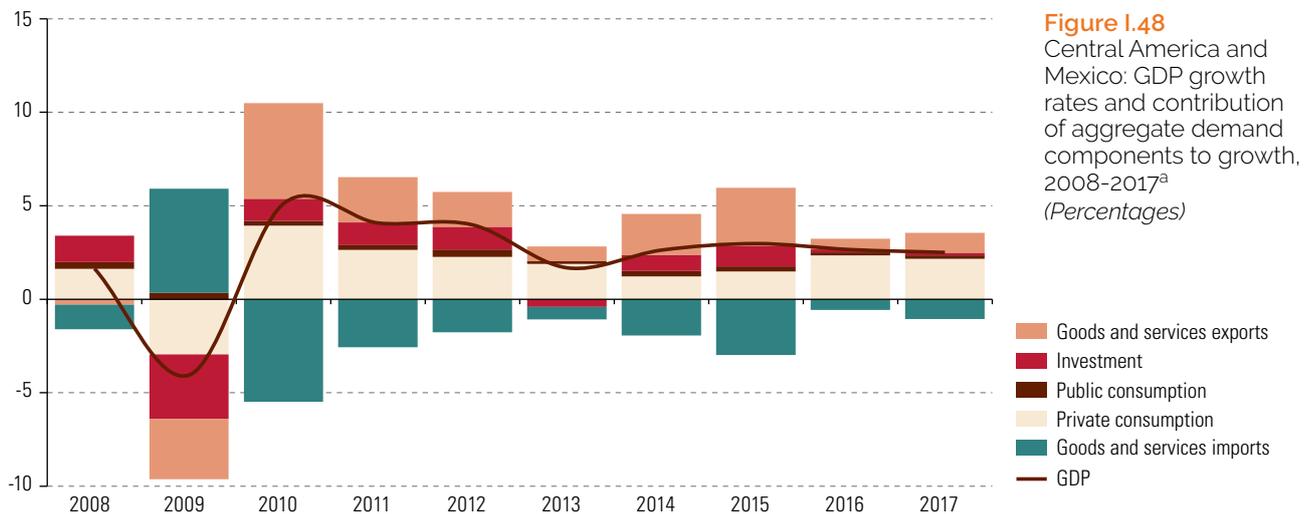
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures for 2017 are projections.

The Central American economies⁴⁵ are projected to grow by 3.6% on average in 2017. Panama and the Dominican Republic will be the subregion's two fastest-growing economies, with rates of 5.6% and 5.3%, respectively. Central America continues to enjoy positive impacts from remittances—which are set to grow by 8% over their 2016 level—and, this year, from stronger growth expectations globally and in the United States, its main trading partner, in particular. However, whereas until last year these countries generally benefited from lower prices for energy and food—of which they are net importers—, higher prices for these commodities this year will hurt their terms of trade and, thus, the value of their trade and disposable national income.

⁴⁵ For these purposes, Central America includes Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.

Mexico is expected to post growth of 2.2%, just one tenth of a percentage point below its 2016 growth rate. On the one hand, in 2017 Mexico is receiving the same positive impulses as the Central American region: higher remittances and stronger growth in external aggregate demand. On the other hand, the initial uncertainty regarding the potentially negative effects of United States policies towards Mexico has eased and the country's growth outlook has accordingly improved, at least in the short term. In terms of expenditure, for the Central American subregion and Mexico together total investment will remain slack this year, with just 0.7% growth. Private consumption will continue to contribute strongly to growth (see figure I.48), with a projected rise of 3.6% in 2017, driven by low rates of inflation and year-on-year growth in remittances.



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

^a Figures for 2017 are projections.

The English- and Dutch-speaking Caribbean economies are expected to post growth of 1.2%, after a 0.8% downturn in 2016. Trinidad and Tobago, the subregion's largest economy, will return to growth in 2017 (0.3%), after three consecutive years of contraction owing to falling prices for its main export products, oil, oil derivatives and natural gas.

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Dynamics of the current economic cycle and policy challenges for boosting investment and growth



Introduction

Economic conditions in Latin America and the Caribbean and its subregions in 2016-2017 may be interpreted in the light of the analysis of the economic cycle set forth in the second part of this edition of *Economic Survey of Latin America and the Caribbean*, which describes the nature of the current cycle in the region (2009-2016) and contrasts it with the two previous cycles (1990-2001 and 2002-2008). It also identifies and attempts to explain some of the cycle's determinants and to outline possible strategies for regaining a positive growth trajectory.

The current cycle is being driven essentially by private consumption and government spending. Conversely, investment and exports, which are the most important determinants of aggregate demand from the point of view of capital formation, creation of productive capacities and long-term growth, have played only a secondary role in economic growth.

This cycle and its characteristics reflect changes that have occurred in developed economies, which have led to slower trend GDP growth and a standstill in gross investment in the wake of the global financial crisis. This is due in part to the economic and, especially, political uncertainty that weigh on investment decisions by the non-financial corporate sector, despite more stable and benign financial conditions.

Weak global aggregate demand has played a significant role in the slowdown in international trade. Data available from 1990 to 2016 show that global trade growth declined on average from 7.3% in the 1990s to 4.5% in the 2000s.

The performance of trade is due in part to structural factors, including a decline in the importance of global value chains. But it also reflects the performance of aggregate demand. A decomposition exercise by the Organization for Economic Cooperation and Development (OECD) shows that in 2011-2015 global aggregate demand explains over 40% of the variations in trade.¹

Yet, despite the changes that have occurred in the real sector, financial globalization has continued apace and has withstood the impacts of the global financial crisis. The financing gap the crisis caused in the financial system—and especially in the global banking system—has been covered by growth in capital markets, and in bond markets in particular. In addition, given their falling rates of return, global banks have returned to strategies based in part on rising derivatives volumes and greater interconnectivity to increase their profits.

This new global context, with slacker external demand and ever greater financial globalization, has led to external forces being transmitted to the region through real channels, especially trade, rather than financial channels. Given the close link between trade and the production structure of the region's economies, the impact of external shocks has been uneven across the region. Comparatively speaking, countries that produce and export hydrocarbons and minerals have been worse affected by external conditions, whereas in Central America the impact has been smaller.

Financial globalization has kept financial flows coming into the region, with two important consequences. First, the region has seen a rapid rise in credit to the private sector, with a resulting expansion in household debt. Second, as in other emerging economies, Latin America's non-financial corporate sector took advantage of the growing significance of international bond markets and has also increased its borrowing levels.

The current cycle poses major challenges in terms of navigating the conditions in the short term and returning to growth in the medium and long terms. The sluggish growth of aggregate demand at the global level makes it an unlikely prospect that growth can be regained through the export sector, as

¹ See Organization for Economic Cooperation and Development (OECD), "Cardiac arrest or dizzy spell: why is world trade so weak and what can policy do about it?", *OECD Economic Policy Paper*, No. 18, 2016.

in 2002-2008. This argument is backed up by the region's low export elasticity vis-à-vis the rest of the world. Lastly, exchange-rate adjustments can do little to boost exports if aggregate demand is stagnating at the global level.

Stimulating demand through private consumption is not an option for sustainable long-run growth, either. In a low-growth context, this type of strategy can lead to a financial debt burden disproportionate to income, which is liable to become unsustainable over time.

In terms of public consumption, although the incurrence of larger fiscal deficits can stimulate growth on the demand side, it can provide only a limited impulse because government transactions account for only a small proportion of GDP in some of the region's economies. More importantly, rising fiscal deficits generate larger borrowing requirements, which usually entail a rise in public debt. Furthermore, when external debt makes up a large share of public liabilities in a low-growth context, external financing can become more costly for the region's economies, and their credit ratings can suffer.

Returning to growth in the medium and long terms will require changing the dynamics of the cycle. This calls for countercyclical policies that not only smooth out cyclical fluctuations but also tackle the challenge of changing those specific traits of the cycle that hurt growth and the productive structure of the countries of the region. The fiscal countercyclical framework needs to be made more robust and public investment afforded a stronger role. The fiscal framework must be accompanied by a financial policy geared towards stabilizing credit and a monetary policy that supports investment growth.

A comparative analysis of business cycles in Latin America and the Caribbean in the period 1990-2016

Introduction

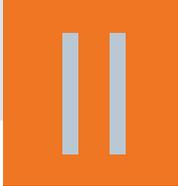
- A. The current cycle (2009-2016) compared to the previous ones
- B. Investment characteristics in the 2009-2016 cycle
- C. The behaviour of consumption
- D. Government spending in 2009-2016
- E. The heterogeneous behaviour of the export cycle

Conclusions

Bibliography

Annex II.A1

Annex II.A2



Introduction

This chapter examines the characteristics of business cycles in the countries of Latin America and the Caribbean over the period from 1990 to 2016. The empirical analysis allows three cycles to be distinguished over this time, the first running from 1990 to 2001, the second from 2002 to 2008 and the third from 2009 to 2016.¹

Comparing these three cycles reveals marked differences in the relative importance of the aggregate demand components driving each of them, with investment playing a less important part in the dynamics of the latest cycle (2009-2016) than in earlier ones. What has played a major role in the upswing of this cycle has been private consumption, this being the aggregate demand component with the greatest duration and amplitude in the expansion phase at both the regional and subregional levels.

The evidence is that consumption growth averaged 2.7% in real terms in 1990-2001 and almost twice that figure from 2002 onward. The increasing role of consumption is partly explained by the consumer credit growth that began in the 2000s, particularly in Central America.² In addition, rising terms of trade in South America and remittance growth in Central America during the 2000s lifted disposable incomes, thus doing much to spur private consumption.

Alongside the importance of private consumption in the expansion phase of the 2009-2016 cycle, government spending is also found to have played a larger role in this phase. This is explained by the countercyclical programmes implemented in a number of Latin American countries to mitigate the impact of the global financial crisis of 2008-2009 and the increase in government spending as a share of GDP from 2011, even though tax revenue growth has slowed or reversed in most of the region's economies.

Lastly, the analysis also reveals that exports have played a lesser role as a growth driver in the expansion phase of the latest cycle than in the two previous cycles. However, this stylized fact is influenced more by the behaviour of South American than of Central American exports.

In the case of South America, the limited role played by exports is explained by the decline in world trade since the start of the global financial crisis, the drop in the terms of trade resulting from the end of the commodities supercycle, and slower economic growth in some of the subregion's main trading partners, such as China.

Exports play a far more significant role in the cycle in the case of Central America. On average, the subregion does not specialize in commodity exporting, and its main trading partners are the United States and Canada, which have managed to maintain fairly steady growth rates since the global financial crisis.

Another striking point is the close relationship during all three cycles between the dynamics of investment and imports, explained by the fact that capital goods are the main component of imports, representing over 60% of the total by value in the region and its subregions.

¹ The period 2001-2008 is associated with the commodity supercycle and was the period of highest growth in the region since the 1970s (3.7%, as compared to 3.2% in 1970-1980). The period 1990-2001 is considered a "lost decade" in Latin America and the Caribbean. Average growth in the region was the lowest it had been since the 1980s debt crisis (1.6%, as compared to 0.8% in 1980-1990). Growth rates are calculated in terms of real per capita GDP. The methodology employed to analyse the cycle is based on the traditional methodology and relies essentially on the analysis of duration (measured in quarters or months, as indicated) and amplitude (measured in percentages) (see annex II.A1 for a more detailed explanation of the methodology used). The current cycle includes the regional impact of the global financial crisis, which began to be felt in 2009, the subsequent V-shaped recovery in the region as a whole and its subregions in 2010, and then the slowdown experienced by most of the countries since 2011.

² For the purposes of this chapter, Central America means Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

The decline in the importance of investment among the components of aggregate demand over the latest cycle has reduced the likelihood of economic expansions straining the external accounts, which means that cyclical downturns should in turn be less abrupt and dramatic.

This has negative effects, however, since the weakness of investment in the expansion phase of the cycle, taken together with the strength of public and private consumption, means that economic growth is being sustained by variables that are not necessarily matched by any increase in these economies' production capacity. The lack of capacity-building in infrastructure and productivity and in the underpinnings of innovation is limiting the potential for sustained growth. Furthermore, increasing government spending without the revenues to match may ultimately contribute to harsher financing conditions.

This chapter will now go on to compare the current cycle (2009-2016)³ with the two previous ones (2002-2008 and 1990-2001) and then analyse the characteristics of investment in each cycle and the behaviour of consumption, public spending and goods and services exports as drivers of the business cycle.

A. The current cycle (2009-2016) compared to the previous ones

Comparing the current cycle (2009-2016) with those running from 1990 to 2001 and from 2002 to 2008 reveals significant differences in the relative importance of aggregate demand components during the expansion and contraction phases.

The evidence shows, first, that the investment cycle has tended to weaken over time. Analysis of the contraction phase in Latin America reveals that investment has had the same or a shorter duration and a lesser amplitude in the current cycle than in the earlier ones. The average duration of the investment downturn in this phase of the cycle was four quarters in the 1990-2001 cycle and two quarters in the following two cycles. The amplitude of the investment downturn in the current cycle has been 11.2%, which is less than in the two previous ones, the figures having been 18.5% in the 1990-2001 cycle and 13.7% in the 2002-2008 cycle (see table II.1).

At the subregion level within Latin America, the amplitude of the investment downturn in the contraction phase has also been less in the latest cycle than in the previous ones. Investment contracted by 21.6% in South America and 15.4% in Central America in the 1990-2001 cycle, whereas in the latest cycle it has fallen by 13.2% and 11.2%, respectively (see table II.2).

A comparison of investment in the expansion phase of the different cycles, meanwhile, shows that this phase has had a similar average duration in all the cycles (four quarters) but that, like the contraction phase, it has tended to diminish in amplitude, from 27.6% in the 1990-2001 cycle to 24.8% in the 2002-2008 cycle and 18.8% in the 2009-2016 cycle in Latin America as a whole.

A second important difference that can be seen in the latest cycle is that private consumption spending was the largest component of aggregate demand in the expansion phase, with a much larger cumulative gain in consumption (measured as the product of amplitude and duration) than in investment and exports.

³ This cycle is ongoing, with 2016 being the latest year for which information is available and included in the analysis.

Table II.1

Latin America: duration, amplitude and cumulative effect of contractions and expansions in GDP and aggregate demand components, 1990-2001, 2002-2008 and 2009-2016

	Number of phases	1990-2001			Number of phases	2002-2008			Number of phases	2009-2016			
		Medians				Medianas				Medians			
		Duration (quarters)	Amplitud (porcentajes)	Efecto acumulativo		Duración (trimestres)	Amplitud (porcentajes)	Cumulative effect		Duration (quarters)	Amplitud (porcentajes)	Cumulative effect	
Contraction	GDP	41	3	3.7	0.059	28	2	2.9	0.036	21	2	2.2	0.070
	Consumption	33	2	4.7	0.071	22	2	2.7	0.033	20	2	3.0	0.035
	Investment	52	4	18.5	0.375	55	2	13.7	0.145	60	2	11.2	0.151
	Public spending	55	2	6.3	0.063	40	2	3.2	0.027	30	2	3.3	0.025
	Exports	54	2	8.7	0.082	53	2	6.8	0.097	55	2	5.7	0.068
	Imports	52	3.5	14.7	0.205	41	2	10.7	0.112	55	2	6.5	0.109
Expansion	GDP	42	7	8.5	0.319	26	18.5	22.2	2.746	27	20	22.4	1.957
	Consumption	34	6.5	10.2	0.262	21	18	25.2	2.521	24	15	21.4	1.372
	Investment	51	4	27.6	0.536	54	4	24.8	0.462	53	4	18.8	0.286
	Public spending	56	4	10.1	0.161	47	5	8.4	0.295	35	8	11.1	0.830
	Exports	52	4	17.3	0.322	51	4	16.1	0.402	56	5	11.8	0.282
	Imports	49	3	20.9	0.314	37	6	23.6	0.723	49	4	13.4	0.302

Source: É. Dubois and E. Michaux, "Grocer: an econometric toolbox for Scilab", 2017 [online] <http://dubois.ensae.net/grocer.html>.

Table II.2

South and Central America: duration, amplitude and cumulative effect of contractions and expansions in GDP and aggregate demand components, 1990-2001, 2002-2008 and 2009-2016

A. South America

	Number of phases	1990-2001			Number of phases	2002-2008			Number of phases	2009-2016			
		Medians				Medianas				Medians			
		Duration (quarters)	Amplitude (porcentajes)	Cumulative effect		Duration (quarters)	Amplitude (porcentajes)	Cumulative effect		Duration (quarters)	Amplitude (porcentajes)	Cumulative effect	
Contraction	GDP	29	3	5.0	0.084	15	2	3.0	0.046	18	2.5	4.2	0.052
	Consumption	26	3	6.0	0.096	15	2	2.7	0.037	16	2	3.4	0.040
	Investment	34	4	21.6	0.397	30	2	15.6	0.158	31	3	13.2	0.264
	Public spending	38	2.5	6.7	0.071	24	2	3.2	0.022	15	2	3.2	0.030
	Exports	35	2	9.2	0.083	35	2	6.4	0.065	38	2	6.4	0.073
	Imports	34	4	15.9	0.249	24	2	11.8	0.118	34	2.5	8.4	0.178
Expansion	GDP	31	7	8.5	0.319	14	20	26.5	3.904	19	10	16.1	0.849
	Consumption	26	6	10.2	0.228	15	20	25.7	2.707	17	13	23.2	1.326
	Investment	34	4	27.9	0.525	30	4	29.6	0.604	26	5	25.9	0.522
	Public spending	38	4	10.3	0.171	30	4	7.7	0.151	19	8	13.2	0.997
	Exports	35	4	16.7	0.351	33	4	17.8	0.394	38	4.5	11.4	0.188
	Imports	30	4	20.9	0.444	21	6	26.2	0.843	28	5	12.7	0.330

Table II.2 (concluded)

B. Central America

		Number of phases	1990-2001			Number of phases	2002-2008			Number of phases	2009-2016		
			Medians				Medians				Medians		
			Duration (quarters)	Amplitude (percentages)	Cumulative effect		Duration (quarters)	Amplitude (percentages)	Cumulative effect		Duration (quarters)	Amplitude (percentages)	Cumulative effect
Contraction	GDP	9	2	2.0	0.016	12	2	2.7	0.025	2	1.5	1.4	0.053
	Consumption	6	1.5	1.7	0.012	5	2	1.9	0.029	2	1.5	1.8	0.020
	Investment	15	2	15.4	0.225	21	2	13.0	0.134	24	2	11.2	0.137
	Public spending	13	2	7.0	0.035	13	2	4.3	0.060	13	2	3.9	0.021
	Exports	18	2	6.7	0.067	15	2	11.4	0.169	14	2	5.7	0.066
	Imports	16	3	10.8	0.149	15	2	8.0	0.086	18	3	4.7	0.074
Expansion	GDP	9	6	8.4	0.149	11	4	9.2	0.255	7	30	29.5	4.137
	Consumption	6	7.5	10.2	0.388	4	11	17.6	1.668	5	29	25.2	3.447
	Investment	14	3.5	33.2	0.520	20	3.5	23.9	0.325	23	4	17.1	0.220
	Public spending	14	3.5	12.9	0.191	14	7	13.7	0.346	14	8	10.4	0.637
	Exports	15	3	18.6	0.144	15	6	16.1	0.476	16	6	16.9	0.465
	Imports	17	2	16.5	0.189	14	6	19.5	0.552	18	4	13.2	0.228

C. South America excluding the Bolivarian Republic of Venezuela and Brazil

		Number of phases	1990-2001			Number of phases	2002-2008			Number of phases	2009-2016		
			Medians				Medians				Medians		
			Duration (quarters)	Amplitude (percentages)	Cumulative effect		Duration (quarters)	Amplitude (percentages)	Cumulative effect		Duration (quarters)	Amplitude (percentages)	Cumulative effect
Contraction	GDP	22	3	5.6	0.099	11	2	3.0	0.046	13	2	2.2	0.024
	Consumption	20	3	6.4	0.096	12	2	2.7	0.033	12	1.5	2.6	0.030
	Investment	29	4	24.1	0.453	27	2	16.4	0.164	29	3	13.2	0.264
	Public spending	30	2	6.9	0.071	19	2	3.8	0.045	10	2	3.5	0.028
	Exports	27	2	9.5	0.079	26	2	6.1	0.059	33	2	5.6	0.071
	Imports	28	4	15.4	0.249	19	2	11.6	0.116	29	2	8.4	0.153
Expansión	GDP	24	8.5	10.6	0.442	11	19	26.6	4.296	15	11	20.9	1.044
	Consumption	20	6.5	10.2	0.228	12	17.5	25.9	2.299	14	11.5	24.3	1.186
	Investment	28	4	27.9	0.609	27	4	29.7	0.620	24	5	25.9	0.522
	Public spending	30	4	9.4	0.160	24	4	7.8	0.147	13	8	21.6	1.836
	Exports	27	4.5	17.6	0.371	25	5	18.3	0.406	32	4	11.6	0.188
	Imports	25	4	20.0	0.314	18	5.5	25.2	0.783	23	4	12.6	0.256

Source: É. Dubois and E. Michaux, "Grocer: an econometric toolbox for Scilab", 2017 [online] <http://dubois.ensae.net/grocer.html>.

^a Includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

In the third place, central government spending was one of the drivers of the expansion phase in the latest cycle. This is explained by the countercyclical programmes adopted by a number of Latin American economies to mitigate the impact of the global financial crisis of 2008-2009 and the rise in government spending as a share of GDP since 2011, despite slower or negative growth in tax revenues in most of the economies of this subregion.

Lastly, note should be taken of the limited role played by exports as a driver of growth in the expansion phase of this cycle by comparison with the two previous cycles. This is explained by the decline in world trade since the start of the 2008-2009 financial crisis (consolidated during the current cycle), by the fall in the terms of trade because of the ending of the commodities supercycle, and by slower economic growth in some of Latin America's main trading partners.

B. Investment characteristics in the 2009-2016 cycle

Investment is usually the variable with the greatest influence on the business cycle in the region and its subregions. A detailed examination of its behaviour relative to the other variables included in the analysis reveals that investment has five distinctive characteristics.

In the first place, the duration of the investment cycle in the contraction phase is similar to that of GDP and the other aggregate demand components. Conversely, the expansion phase of the cycle is shorter for investment than for GDP and, on average, for the other aggregate demand components. As tables II.1 and II.2 show, investment cycles are 35% shorter than GDP cycles on average and shortest of all in Central America (74% shorter than the GDP cycle). Thus, the full investment cycle is shorter than the GDP cycle and than the cycle of the other variables making up aggregate demand.

The second characteristic is that investment tends to contract by more than GDP. This is found to have been the case in South and Central America and likewise in the large economies such as Brazil and Mexico.

In Latin America, the amplitude of the downturn in the contraction phase of the latest cycle was much greater for investment (11%) than for the other aggregate demand components, for which it ranged from 2.2% (in the case of GDP) to 6.5% (in the case of imports). The same happened at the subregional level within Latin America. In South America, investment declined by 13.2% in the contraction phase of the cycle, GDP by 4.2%, consumption by 3.4%, public spending by 3.2%, exports by 6.4% and imports by 8.4%. In sum, investment fell by about three times as much as GDP and the aggregate demand components. In Central America, investment also contracted by three times as much as the average for the aggregate demand components.

In the current cycle, the drop in investment has been progressive and has spread over time to most sectors. Table II.3 presents the rate of growth in spending on fixed assets and long-term investment by 5,663 firms from Argentina, Brazil, Chile, Colombia, Mexico and Peru in 15 sectors of economic activity over the period from 2010 to 2015. The figures show that growth in spending on fixed assets and long-term investment slowed progressively from 2010 before beginning to contract outright in 2015. Median growth in spending on fixed assets and long-term investment dropped from 10.2% in 2010 to a negative rate of -5.8% in 2015.

At the sector level, spending on fixed assets and long-term investment fell in just three sectors of economic activity (20% of the total) in 2010. In 2013, though, spending on fixed assets and long-term investment contracted in 10 sectors (67% of the total). In 2015, lastly, spending on fixed capital and long-term investment fell across the board.

Nonetheless, as noted earlier, the amplitude of the investment downturn during the contraction phase of the cycle decreased over the cycles, being smallest of all in the most recent of these. Investment in Latin America declined by 18.5% in the 1990-2001 cycle, 13.7% in the 2002-2008 cycle and 11.2% in the 2009-2016 cycle. This not only happened in Latin America as a whole, but is observed when the behaviour of investment in this phase of the cycle is analysed for South America (where it contracted by 21.6%, 15.6% and 13.2%, respectively, in each of the cycles) and for Central America (where it did so by 15.4%, 13.0% and 11.2%, respectively). Similarly, the duration of the contraction phase in South America dropped from four quarters in the 1990-2001 cycle to two and three quarters, respectively, in the next two cycles.

Table II.3
Latin America
(six-country average):
nominal rate of growth
in spending on fixed
assets and long-term
investment, 2010-2015^a
(Percentages)

Sector	2010	2011	2012	2013	2014	2015
Automobiles and parts	19.9	5.2	7.7	-1.5	0.2	-4.5
Basic resources	10.2	4.5	4.0	-0.3	-1.4	-14.8
Chemicals	11.8	4.5	4.6	1.6	2.1	0.4
Construction and materials	-3.5	-3.8	0.0	1.7	8.1	-16.4
Food and beverages	17.3	7.3	3.0	1.0	-4.7	-5.8
Health care	16.4	4.1	7.0	-2.1	0.2	-3.8
Industrial goods and services	15.6	3.8	4.5	-0.4	-7.6	-5.5
Media	17.8	-4.6	10.4	4.2	3.8	-2.0
Oil and gas	-30.7	34.9	9.1	-3.9	-2.2	-2.8
Personal and household goods	9.1	-10.1	4.3	-7.6	-6.9	-15.0
Retail	20.2	-4.2	9.8	1.5	-2.4	-11.4
Technology	7.2	0.5	-11.9	-17.9	13.7	-15.2
Telecommunications	8.9	12.9	-4.3	-3.0	-2.1	-1.8
Travel and leisure	4.3	-15.1	0.7	-8.0	4.2	-6.9
Utilities	-0.3	-2.6	-7.8	-7.6	-5.4	-13.4
Median	10.2	3.8	4.3	-0.15	-1.4	-5.8

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

^a A total of 5,120 firms were surveyed in Argentina, Brazil, Chile, Colombia, Mexico and Peru.

The greater amplitude of the contraction in investment relative to GDP and other aggregate demand components is reflected in a third point, namely that the cumulative loss of investment (estimated as the product of amplitude and duration) over the contraction phase of the business cycle exceeded the cumulative gain in the upturn. In Latin America, the cumulative loss during the contraction phase was equivalent to almost twice the cumulative gain in the expansion phase. The same behaviour is seen at the subregional level, with slight variations. The greatest and smallest cumulative losses were in Central America and the Caribbean, respectively. In South America, the cumulative loss in the contraction phase was 56% greater than the cumulative gain in the expansion phase.

A fourth characteristic emerges when the amplitude of the investment contraction is compared with the amplitude of the contractions in GDP and the other aggregate demand components. In Latin America and its subregions, and likewise in the particular cases of Brazil and Mexico, investment contracted by more than these components. The difference is striking when investment is compared with public and private consumption, which contracted by less than GDP. Exports, for their part, usually contract by more than GDP, implying that they are another important factor in the evolution and behaviour of GDP over the cycle.

The fifth characteristic is that the contraction of investment is chiefly reflected in imports and to a lesser extent in consumption. This is because capital goods are the leading component of total imports in Latin America and the Caribbean. The figures for 1990-2001, 2002-2008 and 2009-2016 show that, on average, about 64% of the goods imported by value are capital goods. Conversely, consumer goods make up just a tenth of the region's total imports (see figure II.1).

The analysis by subregions does not throw up great divergences from the estimates for the region overall (see table II.A2.1 of the annexes). Capital goods imports represent 62% of the total value in South America, 55% in Central America and 69% in Mexico. The share of consumer goods imports in these subregions, meanwhile, averages 13.1%, 18.3% and 10.2% of the total, respectively, with a rise over the three periods considered in the cases of South and Central America (see section C).

The income elasticity of imports changed over the three cycles analysed, reflecting investment dynamics, and was lowest in the latest cycle. In Latin America and the Caribbean as a whole, the income elasticity of imports was 1.25 in 1990-2001, rising to 1.37 in 2002-2008 and falling to 1.15 in the latest period (2009-2016). The income elasticity of imports in South America developed similarly, being 1.42, 1.57 and 1.28, respectively, in the three periods. In the case of Central America, the income elasticity of imports tended to rise over the three periods analysed, with figures of 0.95, 1.15 and 1.02, respectively (see figure II.2).

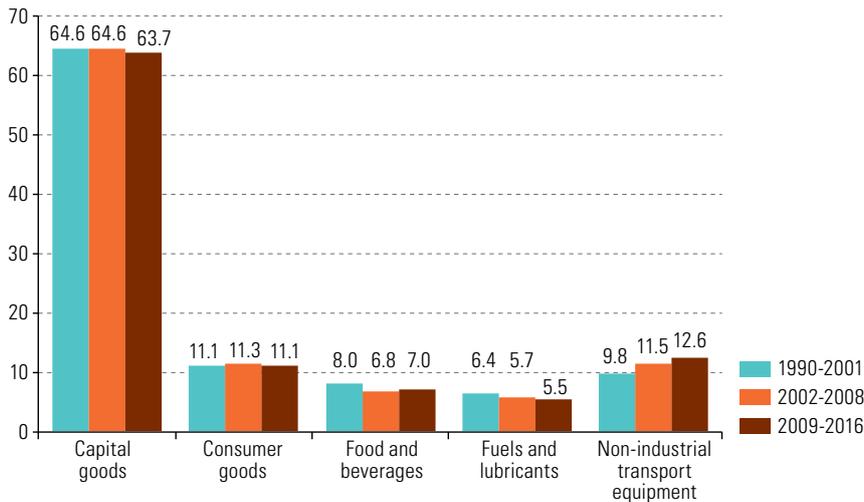


Figure II.1
Latin America and the Caribbean: composition of total goods imports, 1990-2001, 2002-2008 and 2009-2016 (Percentages of total value)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Statistics Database (COMTRADE).

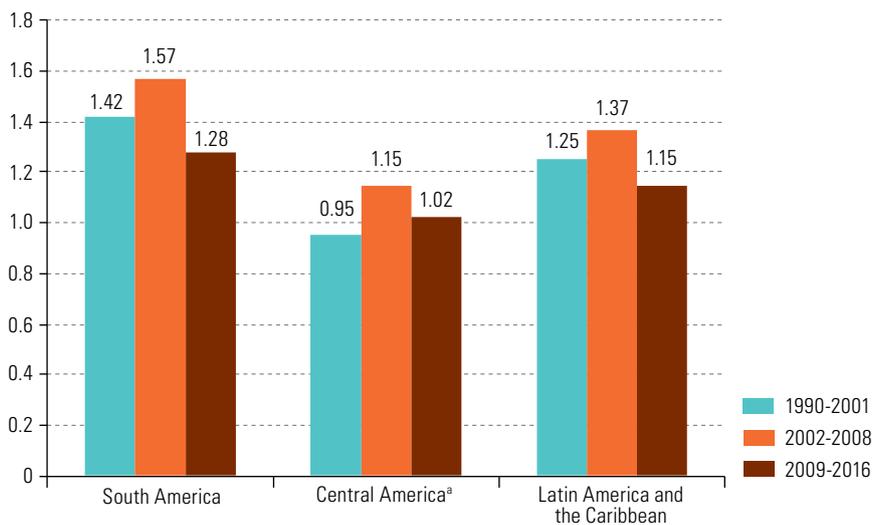


Figure II.2
Latin America and the Caribbean: income elasticity of imports, 1990-2001, 2002-2008 and 2009-2016

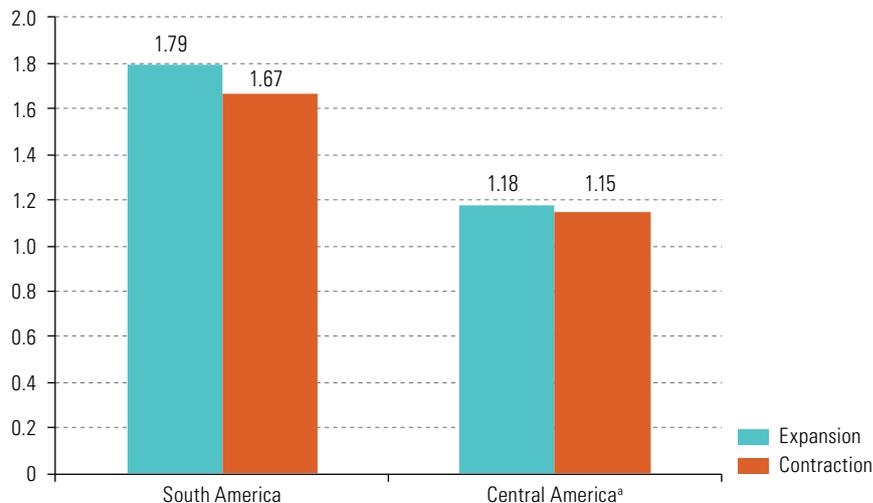
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: The method proposed by Engle and Granger (1987) was used to calculate the income elasticity of imports. This consists in checking that GDP and import series are stationary in first differences, $I(1)$. If they are, a model is estimated using ordinary least squares with the functional form $\ln(\text{Impor}) = \beta_0 + \beta_1 \ln(\text{GDP}) + \varepsilon$. If the residuals of the regression (ε) prove to be $I(0)$, then it is concluded that the variables cointegrate and β_1 is interpreted as the long-run elasticity of imports to GDP.

^a Includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

A more detailed analysis distinguishing the behaviour of imports by the phase in the business cycle shows that the income elasticity of imports was lower in the contraction phase of the cycle than in the expansion phase. The average income elasticity of imports in Latin America was 1.60 in the expansion phase of the cycle and 1.58 in the contraction phase. The difference was even larger in South America, with elasticities of 1.79 in the expansion phase and 1.67 in the contraction phase (see figure II.3).

Figure II.3
South America and Central America: income elasticity of imports in the different phases of the business cycle, 1990-2016



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

Note: To calculate the income elasticity of imports during the contraction and expansion phases, use was made of a dummy variable taking the value 1 for an expansion phase and 0 for a contraction phase. This variable was multiplied by GDP to find the elasticity during periods of expansion. The method proposed by Engle and Granger (1987) was used to determine the existence of cointegration between the GDP and import variables. First, the augmented Dickey Fuller test was used to check whether the two series were I(1). Second, if both series were I(1), a model was estimated by ordinary least squares with the form: $\ln(import) = \beta_0 + \beta_1 D + \beta_2 \ln(GDP) + \beta_3 \ln(GDP) * D + \varepsilon$. The third step was to check whether the errors (ε) were I(0), and if they were, there was held to be cointegration between the variables. The parameter β_2 represents the income elasticity of imports in the periods of contraction; $(\beta_2 + \beta_3)$ represents the income elasticity of imports in the periods of expansion; lastly, β_3 represents the difference between elasticity in the expansion phase and elasticity in the contraction phase.

^a Includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

C. The behaviour of consumption

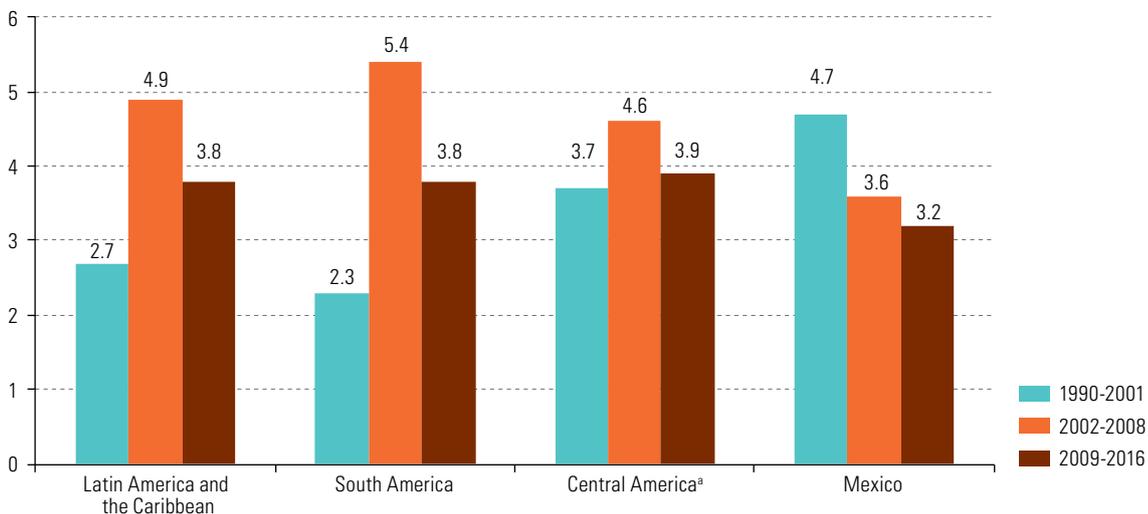
The latest cycle (2009-2016) and the previous one (2002-2008) have a common characteristic, namely the importance of private sector consumption in the expansion phase of the cycle. This is observed for Latin America as a whole and for South and Central America separately. In both South and Central America, consumption was the aggregate demand component with the longest duration in the expansion phase of the cycle and the greatest cumulative effect. Furthermore, a comparison between the two subregions shows that consumption had a greater impact in Central America than in South America in the latest cycle.

To sum up, during the 2002-2008 and 2009-2016 cycles, consumption expanded for 20 and 13 quarters, respectively, in South America and for 11 and 29 quarters, respectively, in Central America. The cumulative effects of these cycles were 2.7 and 1.3, respectively, in South America and 1.66 and 3.44, respectively, in Central America.

These findings reflect the dynamism of consumption from the 2000s onward. The rate of consumption growth in Latin America and the Caribbean averaged 2.7% in real terms over 1990-2001 and almost twice this (4.9%) in 2002-2008, retaining strong momentum in 2009-2016, when it was 3.8% (see figure II.4). At the subregional level, the most substantial consumption growth was in South America, with rates of 2.3% in 1990-2001, 5.4% in 2002-2008 and 3.8% in 2009-2016. The consumption growth rate also rose, less strongly but more consistently over time, in Central America between the 1990s and the 2000s, with rates of 3.7%, 4.6% and 3.9%, respectively, in the three periods.

Figure II.4

Latin America and the Caribbean (selected subregions): average real-term private consumption growth rate, 1990-2001, 2002-2008 and 2009-2016 (Percentages)



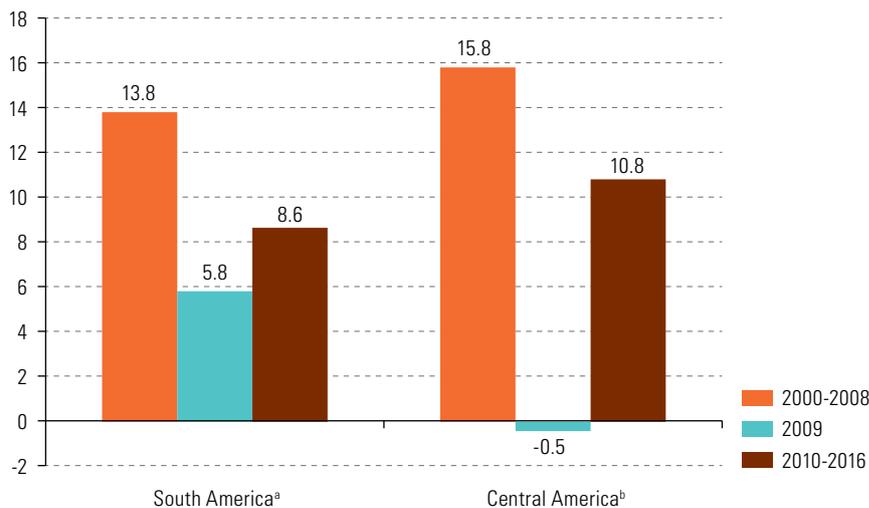
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

This is also reflected in the dynamism of consumer goods imports, which increased in South America and, most particularly, in Central America between the 1990-2001 cycle and subsequent cycles. The consumer goods share of imports in South America rose from 12.6% of the total by value in 1990-2001 to over 13% in 2002-2008 and 2009-2016. In Central America, this share rose from 13.9% to over 20% between the same periods.

The behaviour of consumption in the expansion phase of the cycle is partly explained by growth in lending to the private sector, especially consumer lending. The rate of growth in bank consumer lending in South and Central America in 2000-2008, 2009 and 2010-2016 is shown below (see figure II.5), as is its share of total lending in 2002-2016 (see figure II.6). Figure II.5 shows that the rate of consumer lending growth increased in both subregions between 2000 and 2008 before declining in 2009 and then rising again in 2010-2016.

Figure II.5
South and Central America: median rate of consumer credit growth, 2000-2008, 2009 and 2010-2016 (Percentages)



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

^a The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b The countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Figure II.6
South and Central America: median consumer credit share of total lending by commercial banks, 2002-2016 (Percentages)



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

^a The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b The countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Nonetheless, the recovery in the rate of consumer credit growth from 2009 was much stronger in Central America than in South America. In 2010-2016, likewise, the average rate of consumer lending growth was higher in Central America (10.8%) than South America (8.6%). Similarly, consumer credit accounted for a larger share of the total in Central America than in South America and showed a stronger tendency to increase from 2012 (see figure II.6).

There is a second factor accounting for the behaviour of consumption in South and Central America, namely the role played by the terms of trade and remittance flows. Both factors affect the gross national income available (see box II.1).

Gross national disposable income (NI) can be expressed as gross domestic product (GDP) plus net factor payments to the rest of the world ($NPRW$), current transfers (CT) and the terms-of-trade effect (TTE), i.e.:

$$(1) NI_t = GDP_t + NPRW_t + CT_t + TTE_t$$

The terms-of-trade effect equals the volume of goods and services exports (X) (or exports at constant prices) multiplied by the change in the trade price index:

$$(2) ETI_t = X_t \frac{(P_x - P_m)}{P_m} = X_t \left(\frac{P_x}{P_m} - 1 \right)$$

Where P_x , P_m unit price indices for exports and imports.

Using equation (2) to substitute TTE_t into equation (1) gives:

$$(3) NI_t = GDP_t + NPRW_t + CT_t + X_t \left(\frac{P_x}{P_m} - 1 \right)$$

According to equation (3), if other factors remain unchanged, an improvement in the terms of trade ($\Delta \frac{P_x}{P_m}$) translates into a rise in gross national disposable income (NI). Setting out from equation (3), it is possible to decompose the difference between gross national disposable income (NI) and gross domestic product (GDP) into net factor payments to the rest of the world ($NPRW$), current transfers (CT) and the terms-of-trade effect (TTE). In the case of Latin America and the Caribbean, the terms-of-trade effect (TTE) is the main factor accounting for this difference.

Source: O. Kacef and S. Manuelito, "El ingreso nacional bruto disponible en América Latina: una perspectiva de largo plazo", *Macroeconomía del Desarrollo series*, No. 69 (LC/L.2982-P/E), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2008.

Box II.1

Gross domestic product (GDP) and gross national disposable income

In Latin America, gross national disposable income was lower than GDP between 1990 and 2003. In 2004, the ratio was inverted and gross national disposable income began to outstrip GDP, a situation that lasted until 2014; most of the difference was due to the terms-of-trade effect, which peaked in 2011 at 7% of GDP. The rising trend of the terms of trade was sustained between 2005 and 2011, after which the terms-of-trade effect declined as a share of GDP, falling to 1.83% in 2015. In South America, gross national disposable income outstripped GDP from 2006 because of the growing terms-of-trade effect, which peaked at 8.23% of regional GDP in 2011. It began to decline that same year, falling to 3.36% in 2015 (see figure II.7).

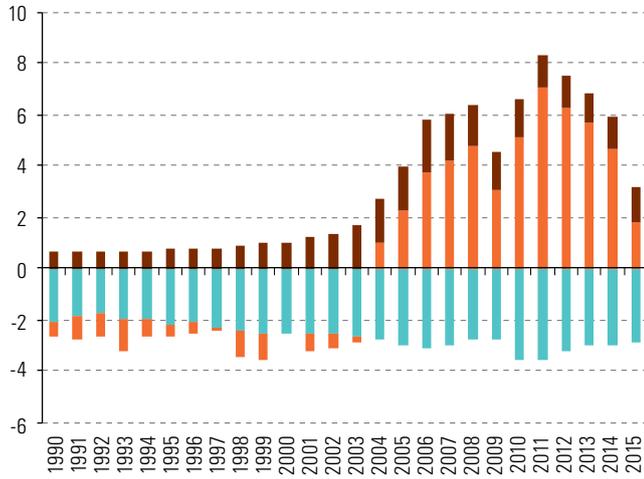
Central America presented an increase in net current transfers as a share of GDP from 2000. After holding steady at an average of about 5% of GDP in 1990-2000, these transfers rose to an average of 8.5% of GDP in 2001-2015. This increase in transfers was offset by the negative effect of the terms of trade, especially from 2003, meaning that there were no prolonged periods in which GDP differed significantly from gross national disposable income.

Meanwhile, Mexico benefited in 2002-2014 both from a positive terms-of-trade effect and from a rise in remittances. The terms-of-trade effect averaged 2.3% of GDP in the period, while net current transfers were worth 2.8% of GDP.

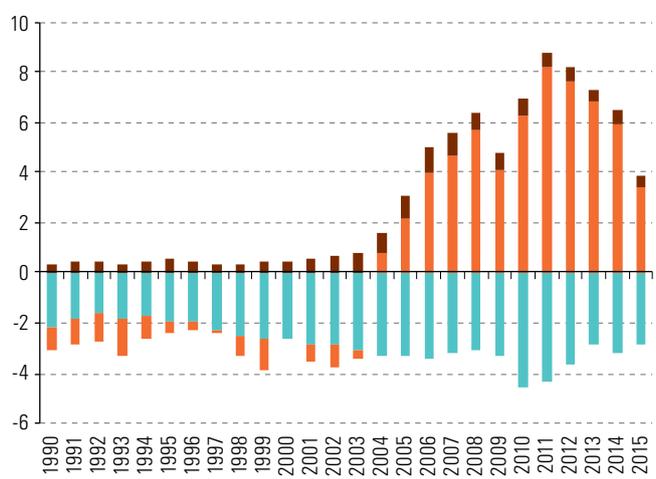
Figure II.7

Latin America (selected subregions) and Mexico: decomposition of gross national income by component, 1990-2015
(Percentages of GDP)

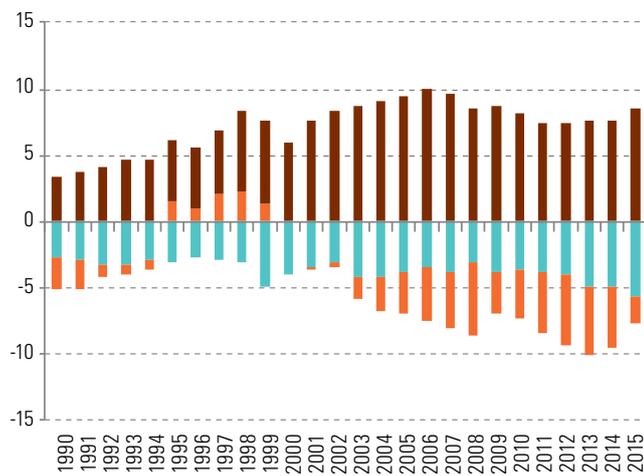
A. Latin America



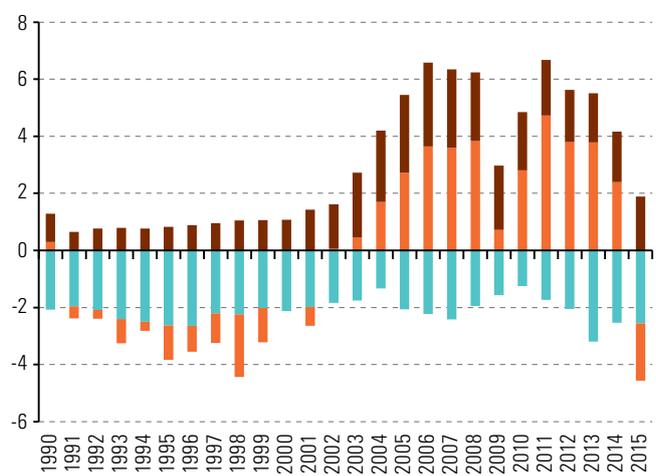
B. South America



C. Central America^a



D. Mexico



■ Net current transfers (= current transfers balance) ■ Terms-of-trade effect
■ Net factor payments to rest of world (= income balance)

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

^a Includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

D. Government spending in 2009-2016

The importance of public spending during the period 2009-2016 was due to two types of considerations. In the first place, a number of countries in the region (including Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay, among others) adopted countercyclical policies whereby public spending was raised to confront the impact of the global financial crisis of 2008 and 2009. These countercyclical packages also included tax measures. Brazil, Chile, Mexico and Peru applied discretionary stimulus plans worth 3.2%, 1.8%, 1.7% and 3.5% of GDP, respectively. The measures included business financing assistance, tax cuts and increased unemployment benefits, plus infrastructure investment. Other countries such as Colombia and Uruguay did not implement discretionary stimulus programmes, but public spending levels were maintained and priority was given to infrastructure investment and social spending (see box II.2).

Box II.2

Selected countercyclical measures to offset the effects of the global financial crisis in selected countries of Latin America

Brazil

2009 Economic stimulus was applied via three main channels. First, to avoid a credit crunch, the Treasury authorized a loan worth US\$ 43.73 billion (3.2% of GDP) to the National Bank for Economic and Social Development (BNDES). The long-term interest rate charged for this loan was cut from 2.5% to 1% in April 2009, lowering the cost for BNDES and firms. BNDES also announced an easing of lending rules for investment and working capital and an extension of special financing for used work vehicles. A supplementary BNDES credit line worth US\$ 1.75 billion was extended to the states.

Second, a package of discretionary fiscal measures was implemented, consisting in tax exemptions (on personal income taxes, vehicle purchases, financial transactions, capital goods imports and purchases of construction materials), transfers to vulnerable groups, a mortgage subsidy programme and an increase in the duration of unemployment benefits.

Third, increases in government investment spending were approved, as was the creation of a sovereign fund with an initial endowment of 0.5% of GDP (about US\$ 5 billion) to provide the country with a store of savings that could be used to offset future economic fluctuations and finance the internationalization of Brazilian firms.

2010-2011 The central government continued to provide policy loans to BNDES, although in decreasing amounts (2.7% of GDP in 2010, 1.0% of GDP in 2011 and 1.5% of GDP in 2012). National Treasury bonds would be issued to finance these. Tax cuts for capital goods, haulage vehicles and construction material were maintained in 2011, as were reductions in taxes on physical persons and foreign investors.

Chile

2009 A package of fiscal stimulus measures was enacted in 2009, including: higher spending on a number of temporary programmes (0.5% of GDP on public works, 0.16% of GDP on a one-off cash payment to low-income households and 0.13% of GDP on a temporary increase in training subsidies); a number of tax cuts (corporation tax payments were temporarily reduced by the equivalent of 0.33% of GDP and personal income tax rebates were brought forward, a measure worth 0.16% of GDP); and temporary abolition of the stamp tax (0.45% of GDP). The measures also included recapitalization of the State-owned lender Banco Estado and of the National Copper Corporation (CODELCO), as well as a capital increase for the Chilean Economic Development Agency (CORFO) and the Small Enterprise Guarantee Fund (FOGAPE), which also support financing for exporters and small businesses. The fiscal stimulus is estimated at 2.8% of GDP. The government also enacted more permanent reforms to support employment and lessen the impact of redundancies on the economy.

Box II.2 (concluded)

Colombia

2009-2010 There was no discretionary stimulus programme, but an effort was made to prioritize infrastructure and social spending. An infrastructure fund worth US\$ 500 million for up to 12 years was created.

Mexico

2009 The stimulus package announced in early 2009 included employment subsidies, extra health benefits, income transfers for the unemployed and other income support for the poorest, worth about 0.2% of GDP. The measures also included additional infrastructure investments (0.74% of GDP) and greater investments by the State-owned oil company PEMEX and the states (0.26% of GDP). The size of the whole fiscal stimulus package was about 1.7% of GDP. Although many stimulus measures were designed to be temporary (such as the employment subsidies and social transfers), energy price support was tied to oil price movements and had no clear expiration clause.

Peru

2009 In January 2009, the government launched a half-yearly fiscal stimulus package worth an average of 3.5% of GDP in the period 2009-2010. Most of the stimulus went on infrastructure investments, while a small portion was used to finance social protection measures. Financial transaction taxes were cut, as was the rate of the general sales tax.

Uruguay

2009 No major discretionary stimulus programme was implemented. However, current spending continued to grow strongly, particularly health assistance transfers and pension outlays (owing to the reforms implemented in 2007-2008). Tax reduction and exemption measures were also implemented to boost economic growth and employment.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), "The reactions of the Governments of the Americas to the international crisis: follow-up to policy measures adopted up to 31 December 2011", Santiago, April 2012; "The reactions of the Governments of the Americas to the international crisis: an overview of policy measures up to 31 December 2009" (LC/L.3025/Rev.6), Santiago, January 2010; International Monetary Fund (IMF), International Financial Statistics (IFS) [online] <http://www.imf.org/external/data.htm>; and "Fiscal Policy in Latin America: Lessons and legacies of the global financial crisis", *Staff Discussion Notes*, No. 15/6, 2015 [online] <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Fiscal-Policy-in-Latin-America-Lessons-and-Legacies-of-the-Global-Financial-Crisis-42856>.

The figures show that between the period 2002-2008 and 2009, government spending as a share of GDP rose from 17.9% to 20.0% in Latin America, from 16.5% to 17.7% in Central America and from 19.4% to 22.2% in South America. The countercyclical character of this spending is reflected in the fact that the correlation coefficients between GDP growth and government spending as a proportion of GDP were negative both for Latin America and for the subregions mentioned (the coefficient was -0.66 for Latin America, -0.14 for South America and -0.10 for Central America) (see figure II.8).⁴

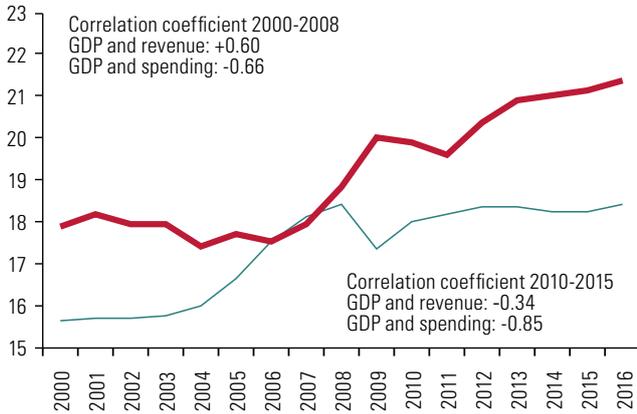
In the second place, following government spending cuts in all subregions between 2009 and 2011, the countries increased their average expenditure despite the economic slowdown experienced by most of them from 2011, which held down revenues. The figures show that average public spending rose from 19.6% to 21.4% of GDP in the region as a whole between 2011 and 2015. At the subregional level, the largest increase was in South America, where spending rose from 21.6% to 24.3% of GDP between 2011 and 2015. In the Central America subregion, meanwhile, the average increase was from 17.6% to 18.3% of GDP between those two years.

⁴ If the period 2000-2009 is considered, the coefficients of correlation between GDP and spending take values of 0.71 for Latin America, 0.77 for South America, 0.48 for Central America and 0.67 for Mexico.

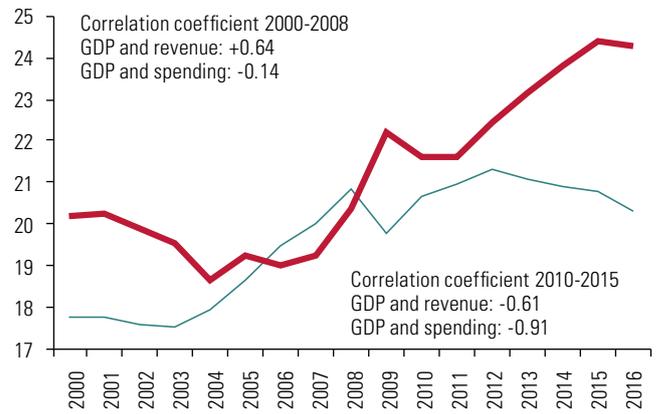
Figure II.8

Latin America (selected subregions): total central government revenues and spending, 2000-2016
(Percentages of GDP)

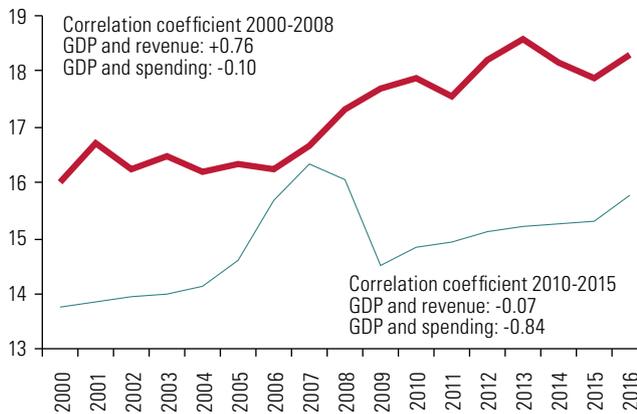
A. Latin America



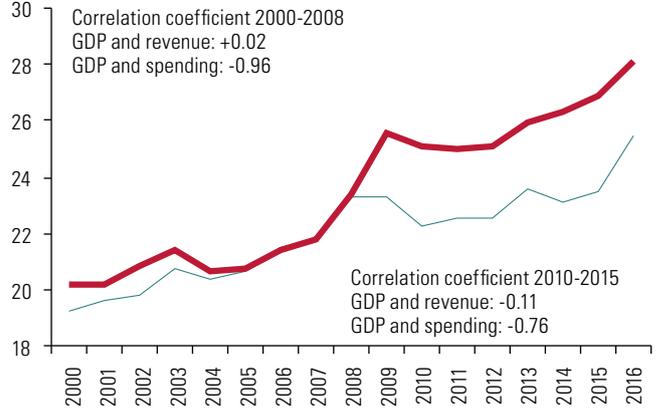
B. South America^a



C. Central America^b



D. Mexico



— Revenue — Spending

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

^a The countries included are Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay.

^b The countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

E. The heterogeneous behaviour of the export cycle

The importance of exports as a driver of growth has diminished greatly in the latest cycle. In Latin America, the expansion phase had an amplitude of 17.3% and 16.1% in the 1990-2001 and 2002-2008 cycles, respectively, but this fell to 11.8% in the latest cycle (2009-2016).

A more detailed analysis at the subregional level shows that this behaviour mainly reflects the evolution of South American exports, since the importance of Central America's exports in the cycle has increased over time, without any significant decline in the latest cycle. The cumulative effect of Central America's exports rose from 14.4% in the first cycle (1990-2001) to 47.6% in the second (2002-2008) and 46.5% in the latest (2009-2016).

This difference in export performance between South America and Central America is explained by the composition of each of these subregion's exports and the differences in destination countries. Analysis of the composition of South American exports shows that natural resources account for the bulk of the subregion's external sales. Furthermore, a substantial share of exports go to China.

The diminishing importance of exports is explained in the first place by the decline in commodity prices and thence in the terms of trade. Analysis of the price cycle characteristics of commodities (minerals, energy and agricultural products) shows that the largest contraction of any of the three cycles considered was in the latest one (2009-2016), in terms of both amplitude and duration. Comparing the figures for the contraction phase of the cycle reveals that mineral, energy and agricultural product prices presented amplitudes of -36%, -54% and -21%, respectively, in the 1990-2001 cycle, while in the latest cycle the amplitudes were 48%, 71% and 26%, respectively (see table II.4).

Table II.4

Duration and amplitude of price cycles for minerals, energy and agricultural products, monthly data, 1990-2001, 2002-2008 and 2009-2016
(Months and percentages)

		Expansion		Contraction	
		Duration (months)	Amplitude (percentages)	Duration (months)	Amplitude (percentages)
1990-2001	Minerals	10.25	29	17.75	-36
	Energy	27.7	60	21	-54
	Agricultural products	12.7	13	25	-21
2002-2008	Minerals	67	138	...	...
	Energy	...	...	...	...
	Agricultural products	44	71	7	-10
2009-2016	Minerals	6	14	26.5	-48
	Energy	15	16	21	-71
	Agricultural products	7	8	26	-26

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators, 2017 [online] <http://data.worldbank.org/data-catalog/world-development-indicators>, and É. Dubois and E. Michaux, "Grocer: an econometric toolbox for Scilab", 2017 [online] <http://dubois.ensae.net/grocer.html>.

Besides price effects (captured by the price cycle indicators for selected commodities), income effects also explain the behaviour of exports at the subregional level.

Almost half of all exports from the Central America subregion (47.3% of the total by value in 2015) go to the United States and Canada (see table II.A2.2 in the annexes).

Both countries have managed to maintain fairly steady growth rates since the aftermath of the global financial crisis, whose effects were felt in 2008 and, especially, in 2009.⁵ This has favoured the subregion's export performance.

Conversely, South American exports have been affected by the slowing of growth in China, the subregion's main trading partner, which averaged 9.7% in 1990-2001, 11.0% in 2002-2008 and 8.5% in 2009-2015. As the main destination for South America's external sales, China accounted for 14.2% of the subregion's total exports by value in 2015 (see table II.A2.2 in the annexes).

F. Conclusions

Comparing the dynamics of the 1990-2001 and 2002-2008 cycles with those of the most recent one, covering the period 2009-2016, reveals that this last was underpinned mainly by consumption and, albeit to a lesser extent, government spending, rather than by components such as investment and exports (excepting Central America), which drove aggregate demand in the earlier cycles.

These characteristics have created challenges for short-term economic management. At a time when the economies of most of the region's countries have slowed, consumption growth has been partly driven by an expansion of credit. This raises concerns about the growth of debt, its sustainability over time and the role it ought to play in economic growth.

Growth in government spending, meanwhile, has not been matched by higher revenues, and fiscal deficits have widened in most of the Latin American economies as a result. Although larger fiscal deficits may stimulate growth on the demand side, this boost is limited by the small share of GDP represented by government transactions.

More importantly still, a rising fiscal deficit leads to greater financing needs, which usually means an increase in public debt. If this has a large external debt component, the cost of external financing may be affected in a context of low growth, as may the international credit ratings of the economies of Latin America and the Caribbean.

Because import growth has been modest, a number of Latin American and Caribbean economies have not experienced binding external constraints on the balance-of-payments current account in this cycle in the way they did in earlier ones. However, they may face greater external financial constraints, affecting the balance of payments.

The characteristics of the current cycle have also raised questions about the sustainability of medium- and long-run growth. Cyclical behaviour affects the trajectory of this growth, essentially through the dynamics of investment, which has been less vigorous in the current cycle than in the past.

Not only does lower investment mean less installed production capacity, but low growth may itself inhibit investment. Investment is largely irreversible, which means that investment decisions endure over time, since firms cannot disinvest or can only do so at high cost or very gradually via depreciation of their fixed assets, so that investment becomes a sunk cost. Irreversibility can become a major determinant in the decision not to invest in a cycle of low growth like the present one because of the risks involved, such as uncertainty about the future macroeconomic environment.

Low investment also impairs productivity. Investment and productivity are positively associated. As capital is accumulated, the successive units of capital stock used in the production process incorporate greater technological progress and innovation. Thus, capital accumulation is associated with productivity growth. A slowdown in investment weakens this positive association.

⁵ The GDP of the United States and Canada contracted by 2.8% and 2.9%, respectively, in 2009, while in 2010-2015 their growth rates averaged 2.9% (with a standard deviation of 0.4%) and 2.3% (with a standard deviation of 0.8%), respectively.

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Annex II.A1

The cycle analysis methodology

The methodology for the traditional cycle was used. This consisted in identifying the turning points (peaks and troughs) of the real-term gross domestic product (GDP) series in levels, using quarterly data for a sample of 59 countries in different regions of the developing and developed world for the period between 1990 and 2016.

In particular, the turning points (tp) of these series in levels expressed using natural logarithms, $y_{i,t}$, were determined by means of an algorithm able to identify local peaks and troughs, in windows of five quarters (see Bry and Boschan, 1971). In other words, there is a local peak at t : $tp = 1$ if $y_{i,t} > y_{i,t-k}$ $\forall k = -1, -2, 1, 2$, and a local trough at t : $tp = -1$ if $y_{i,t} < y_{i,t-k}$ $\forall k = -1, -2, 1, 2$; $tp = 0$ otherwise.

The conditions for identifying a tp include the following: there cannot be two consecutive peaks or troughs; the minimum duration of a phase is two quarters from peak to trough and six quarters from peak to peak; and tp are calculated using the computational algorithm via the Grocer programme (Dubois and Michaux, 2017). The tp are then used to define the dichotomous variable $s_{i,t}$ in order to identify phases of expansion: $s_{i,t} = 1$ if the series $y_{i,t}$ is in an expansion phase, and $s_{i,t} = 0$ if the series $y_{i,t}$ is in a contraction phase.

Similarly, the variable $c_{i,t}$ is defined for phases of contraction: $c_{i,t} = 1 - s_{i,t}$. To calculate the variable $s_{i,t}$, only complete phases are considered, so that each series starts and ends with either a peak or a trough. This has to be done because there is no way of knowing the duration or amplitude of a phase that is incomplete.

The turning points served in turn to identify GDP expansion and contraction phases. An expansion phase is a period when GDP growth is positive. A contraction phase is a period when GDP growth is negative. Once the expansion and contraction periods had been identified, estimates were produced for the countries, regions and subregions of the duration and amplitude of the economic activity expansion and contraction phases. Duration is a measure of the persistence of the expansion or contraction phase, while amplitude is a measure of the change in economic activity during the phases of the cycle.

The average duration (D) of an expansion (or contraction) is defined as the ratio between the total number of quarters of expansion and the total number of peaks:

$$D = \frac{\sum_{t=1}^T S_{i,t}}{\sum_{t=1}^{T-1} (1 - S_{i,t+1}) S_{i,t}}$$

Where $s_{i,t}$ is a dichotomous variable, $y_{si,t} = 1$ if the series $y_{i,t}$ is in an expansion phase, and $y_{si,t} = 0$ if the series $y_{i,t}$ is in a contraction phase. The average amplitude (A) of an expansion is the sum of the changes in the variable in every quarter where $si,t = 1$, divided by the total number of peaks.

$$A = \frac{\sum_{t=1}^T S_{i,t} \Delta y_{i,t}}{\sum_{t=1}^{T-1} (1 - S_{i,t+1}) S_{i,t}}$$

Where $y_{i,t}$ = natural logarithm of GDP.

When y_i is expressed as a logarithm, $\Delta y_{i,t}$ is the percentage change, so A is a percentage. If $y_{i,t}$ is expressed as a proportion of GDP, then A is read off in percentage points.

Annex II.A2

Table II.A2.1

Latin America and the Caribbean (selected subregions): import and export composition, 1990-2001, 2002-2008 and 2009-2016
(Percentages of total value)

Region	Period	Capital goods	Consumer goods	Food and beverages	Fuels and lubricants	Non-industrial transport equipment	Other
Imports	Latin America and the Caribbean						
	1990-2001	64.6	11.1	8.0	6.4	9.8	0.1
	2002-2008	64.6	11.3	6.8	5.7	11.5	0.1
	2009-2016	63.7	11.1	7.0	5.5	12.6	0.1
	South America ^a						
	1990-2001	61.8	12.6	8.5	7.0	10.0	0.1
	2002-2008	62.0	13.3	7.5	7.4	9.7	0.1
	2009-2016 ^b	62.1	13.5	7.6	6.0	10.6	0.1
	Central America ^c						
	1990-2001 ^d	54.0	13.9	11.1	11.7	9.3	0.1
	2002-2008	55.5	20.9	11.7	4.5	7.5	0.0
	2009-2016 ^e	54.7	20.3	13.5	4.9	6.5	0.1
Mexico							
1990-2001	69.8	12.2	7.4	1.4	9.2	0.0	
2002-2008	69.3	9.7	5.8	2.0	13.2	0.0	
2009-2016	69.0	8.6	6.1	1.9	14.4	0.0	
Latin America and the Caribbean							
1990-2001	46.9	11.0	18.1	14.5	9.5	0.0	
2002-2008	48.7	10.9	15.0	16.0	9.4	0.0	
2009-2016	49.5	8.2	17.7	14.8	9.9	0.0	
South America ^a							
1990-2001	44.3	6.9	27.9	18.2	2.7	0.0	
2002-2008	40.2	5.8	24.1	27.3	2.6	0.0	
2009-2016 ^b	38.6	3.7	26.1	29.5	2.1	0.0	
Central America ^c							
1990-2001 ^d	23.7	12.2	62.0	1.4	0.6	0.1	
2002-2008	29.8	22.6	45.8	1.1	0.6	0.0	
2009-2016 ^e	35.2	22.4	40.3	1.3	0.8	0.0	
Mexico							
1990-2001	45.8	15.3	7.2	14.3	17.5	0.0	
2002-2008	49.6	16.5	5.4	12.7	15.8	0.0	
2009-2016	50.5	13.4	6.7	10.6	18.8	0.0	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Statistics Database (COMTRADE).

^a The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b Data up to 2015 for Argentina, Colombia, Ecuador, the Plurinational State of Bolivia and Uruguay and up to 2013 for the Bolivarian Republic of Venezuela.

^c The countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

^d Data for the Dominican Republic are not included.

^e Data up to 2015 for Costa Rica, the Dominican Republic, Guatemala, Nicaragua and Panama and up to 2014 for Honduras.

Table II.A2.2

Latin America and the Caribbean (selected subregions): main export destinations, 2015
(Percentages of total value)

Latin America and the Caribbean		South America ^a		Central America ^b		Mexico	
United States	41.5	China	14.2	United States	44.6	United States	81.6
China	8.4	United States	12.0	Canada	2.7	Canada	2.7
Canada	2.1	Netherlands	3.2	Netherlands	2.6	China	1.3
Netherlands	2.0	Japan	2.7	Germany	1.8	Spain	0.9
Japan	1.9	Republic of Korea	2.0	Belgium	1.7	Germany	0.9
Other	44.0	Other	65.8	Other	46.6	Other	12.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Statistics Database (COMTRADE).

^a The countries included are Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b The countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

The region in an international context of slow growth and financial globalization

Introduction

- A. International conditions are characterized by weakened aggregate demand in the developed world
- B. Weak aggregate demand has triggered falls in trade
- C. Contrasting with slack activity in the real sector, global financial globalization has forged ahead
- D. External forces have been transmitted to the region through real channels
- E. Financial globalization has maintained financial flows into the region
- F. Growth in finance has had two consequences for the region: growth in household credit and heavier reliance by the non-financial corporate sector on external financing

Bibliography

Annex III.A1



Introduction

The region's current economic cycle (see chapter I) and its various characteristics are partly a reflection of changes that have occurred in the international economy and in the way forces are transmitted from the more advanced to the developing economies.

Developed economies have undergone major changes since the global financial crisis (2008-2009), especially in the real sector. First, growth in GDP and investment have slowed, the latter virtually to a standstill. Productivity growth has also trended downwards. Slower global demand at the aggregate level has weakened the performance of world trade.

Yet, despite the poor showing by the real sector, financial globalization has continued apace. This is reflected in the importance of the capital markets, especially global bonds, and in global banks' business strategies driven by the rise in derivatives and interconnectedness.

External forces have been transmitted to the region through real channels more than financial channels, and in particular through trade. Because trade is so closely linked to the production structure of the economies, external shocks have uneven impacts on the region. Slacker aggregate demand and falling terms of trade have affected most the countries whose production and export structure are biased towards natural resources.

Conversely, the continued drive of financial globalization has kept financial flows coming into the region, in fact still at historically high levels. And, despite the effects of the global financial crisis, the region has seen no sudden stops in financial flows. The evidence is that trends in financial flows are not statistically related to the production structure and so have had a more homogenous impact across the subregions.

Growth in finance has led to growth in credit and household borrowing, and made the non-financial corporate sector more reliant on external sources of financing. These trends occur most intensively in the economies that are most vulnerable to real shocks.

A. International conditions are characterized by weakened aggregate demand in the developed world

The changes that have occurred in the developed economies since the global financial crisis, especially in the real sector, have been reflected in slower growth in trend GDP in most cases.

Table III.1 shows trend GDP growth rates for the advanced economies overall, the eurozone and the United States for the periods 2003-2008 and 2010-2016. Between the two periods, average GDP growth rates fell from 2.1% to 1.4% for the advanced economies overall, from 2.4% to 1.5% in the United States, and from 1.5% to 0.9% in the eurozone (representing an average drop of 39% in their respective growth rates).

Table III.1

Selected countries and groupings: average annual growth, 2003-2008 and 2010-2016

(Percentages of trend GDP)

Grouping or country	2003-2008	2010-2016	Fall (percentages)
Eurozone	1.5	0.9	-43.2
Advanced economies	2.1	1.4	-34.0
United States	2.4	1.5	-38.4
China	9.4	6.6	-29.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, April 2017.

Slower growth in the advanced economies has also weakened gross fixed capital formation, which fell after the global financial crisis (2008-2009) and languished at virtually a standstill thereafter. Figure III.1 shows that between 2003-2007 and 2010-2015 average investment growth in the advanced economies declined from 4.7% to 1.7%, more heavily than GDP growth (64% compared with 50%). The investment stagnation in the period 2010-2015 is evident from the overall global investment/output ratio, which rose just 0.5% as an annual average —barely half the pace of its rise in 2003-2007. This pattern is repeated across the advanced economies.

Figure III.1

Advanced economies: annual rates of GDP growth and gross fixed capital formation, 2003-2007, 2008-2009 and 2010-2015 (Percentages)



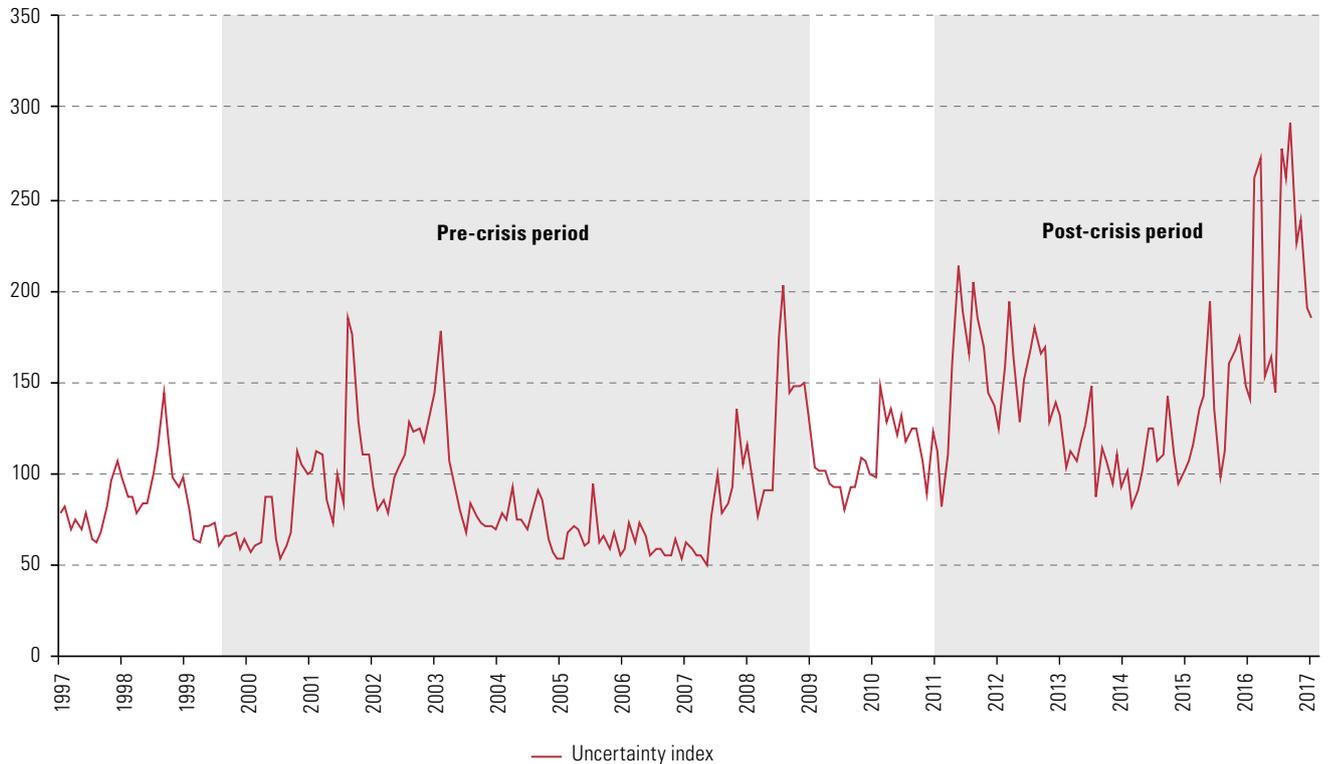
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Bank Open Data" 2017 [online] <http://data.worldbank.org/>.

The investment slowdown is attributable to uncertain demand, which constrains the investment decisions of the non-financial corporate sector despite the favourable financial conditions.¹ More precisely, the uncertainty shock resulting from the global financial crisis has kept uncertainty above pre-2008 levels, so risk-adjusted returns are lower than the levels firms would normally be comfortable with. Low-cost, readily accessible financing is not, therefore, a key determinant of investment in these circumstances. This hypothesis is illustrated by the evolution of the economic uncertainty index, which rose after the global financial crisis (see figure III.2)

¹ Another explanation is that investment behaviour can be explained by the mismatch between favourable financial conditions and investment opportunities. In particular, it is argued that the firms that have the best opportunities may not have enough funds of their own to invest and may have only very limited access to financing. However, there are major flaws in this argument, given the steady growth in credit and share issuance, and the fact that financing constraints are most likely to affect small firms, which account for only a minor share of aggregate investment. See Banerjee, Kearns and Lombardi (2015).

Figure III.2

Economic uncertainty index, 1997-2017
(Base year: 1990=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Economic Policy Uncertainty [online] <http://www.policyuncertainty.com/>.

Note: The global uncertainty index is a GDP-weighted average of national uncertainty indices. Each national index measures the frequency of certain keywords relating to economic policy uncertainty in coverage by major newspapers; the indexes are normalized to make the average equal to 100 in the period they cover.

One explanation for the behaviour of investment, apart from uncertainty, is the decline in returns. An economic exercise for three advanced economies (Canada, France and the United States) shows that returns on investment have a significant positive effect, at least in the short term, as described in box III.1. As explained there, the results show no statistically significant impact on investment for monetary variables, including monetary policy and access to credit. Figure III.3 shows the close link between investment and variation in returns. The correlation coefficients are positive and statistically significant.

Box III.1

An econometric exercise on the determinants of investment in developed countries

This empirical exercise estimates the impact of different macroeconomic variables on investment in the Canada, France and the United States, using vector autoregressive (VAR) models on quarterly data expressed as logarithms.^a The underlying VAR model, given as $B\mathbf{y}_{it} = \gamma_0 + \Gamma_1\mathbf{y}_{it-1} + \varepsilon_t$, incorporates in its vector “ \mathbf{y}_i ” (on the left side of the equation) six endogenous variables at time t , with their respective lagged values on the right side of the equation. These variables are: monetary policy rate, term spread between short- and long-term rates (between 3-month Treasury bills and 10-year government bonds), total credit to non-financial corporations (deflated by the consumer price index), operating profits of non-financial corporations (deflated by the consumer price index), gross and real non-residential capital formation and imports of capital goods, in that order, expressed quarterly and as logarithms in the cases of credit, profits and investment.

In addition, long-term causality between investment and profits was estimated using an error correction model. Given information availability constraints, this estimate covers the period from the third quarter of 1992 to the second quarter of 2016 for Canada, from the first quarter of 1999 to the first quarter of 2015 for France, and from the first quarter of 1990 to the fourth quarter of 2014 for the United States.

Six variables were used in the model, four of them (term spread, gross non-residential capital formation, operating profits of non-financial corporations and total credit to non-financial entities) follow the structure set forth by Banerjee, Kearns and Lombardi (2015), while the other two (monetary policy rate —interbank rate in the case of France— and capital goods imports) are additions for the current estimation. For the United States, the latter two were obtained from the International Monetary Fund (IMF) and the Federal Reserve Bank of St. Louis,^b respectively. For Canada, data on capital goods imports were constructed on the basis of consultation with Statistics Canada,^c and for France, the Federal Reserve Bank of St. Louis and the Statistical Office of the European Communities (EUROSTAT)^d were used as sources for both variables.

On the basis of impulse-response functions, profits were found to have a positive impact on investment levels for all three countries analysed. Conversely, monetary policy, through the monetary policy rate or the term spread, like access to credit, did not have a statistically significant effect on investment levels. France shows a counterintuitive result, insofar as the interbank rate is the only interest rate variable that seems to influence investment, but the effect is positive.^e

Lastly, the effect on investment of capital goods import shocks was found to be negative in the United States and France, but positive in Canada.

With regard to the relation between investment and long-term returns, the vector error correction model yields temporary unidirectional causality, from profits to investment for the United States, and from investment to profits for France and Canada.

In conclusion, the evidence leans towards a positive and significant effect of profits on investment, at least in the short term. Monetary policy and access to credit did not have a significant impact on investment, at least not in the period analysed. Lastly, a possible explanation for the negative effect of imports on investment for the cases of the United States and France is that capital goods imports may substitute gross fixed capital investment in those countries, while in Canada the two may complement each other.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED) [online] <https://fred.stlouisfed.org/>; International Monetary Fund (IMF), International Financial Statistics (IFS) [online] <http://data.imf.org/?sk=5DABAFF2-C5AD-4D27-A175-1253419C02D1>; Statistics Canada, North American Product Classification System (NAPCS) [online] <http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=347883>; Statistical Office of the European Communities (EUROSTAT), General Industrial Classification of Economic Activities within the European Communities (NACE) Rev. 2 [online] <http://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>.

^a The interest rate variable was expressed as a percentage and the capital goods imports variable as an index (2009=100).

^b For the United States, the imports considered are capital goods (except the automotive sector), in accordance with the Federal Reserve Economic Data (FRED), expressed as an index —not a logarithm— where 2009=100. The series is quarterly and seasonally adjusted.

^c For Canada, the imports treated as capital goods were obtained from the North American Product Classification System (NAPCS), in real-term values. Unfortunately, no table that directly separates capital and consumer goods was found in the Classification by Broad Economic Categories (BEC), at least not in the quarterly or monthly data. No equivalence tables were found between the BEC and NAPCS systems, either. However, the equivalence between BEC and the Harmonized Commodity Description and Coding System (HS) was used to perform the separation manually on the basis of NAPCS.

^d For France, the imports included were capital and intermediate goods —according to the General Industrial Classification of Economic Activities within the European Communities, NACE, Rev. 2), expressed as an index —not a logarithm— where 2010=100. The original series is monthly and not seasonally adjusted, so a simple average was taken for each three month period to yield a quarterly series.

^e One possible explanation for this is that the structural vector autoregressive model (SVAR) does not distinguish double causality between the two variables.

Figure III.3

Canada, France and the United States: variation in returns and in investment, 1991-2016
(Percentages)

A. Canada



B. France



C. United States



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED) [online] <https://fred.stlouisfed.org/>.

The external scenario is also characterized by a decline in productivity growth. In the United States, average labour productivity rose in the 1990s from 1.7% in 1990-1995 to 3.1% in 1996-2000, then dropped below 1% at the end of the 1990s and hovered around 1% in 2010-2016. In the eurozone, productivity growth shows a clear downturn after the global financial crisis (see table III.2).

Table III.2
Developed economies:
productivity growth
(Percentages)

Region or country	1990-1995	1996-2000	2001-2006	2007-2009	2010-2016
United States	1.7	3.1	2.0	0.8	1.1
Advanced economies	1.8	2.4	1.8	0.2	1.2
Eurozone	1.7	1.3	0.9	-0.7	0.7
China	5.9	4.8	8.8	8.2	6.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from The Conference Board, Total Economy Database, 2017 [online] <https://www.conference-board.org/>.

More particularly, productivity declined in the manufacturing sector in the developed economies. Annual growth in hourly output for a set of developed economies dropped from 4.8% in 1998-2006 to a 1.5% in 2010-2014. Something similar occurred in growth in output per worker, which fell from 4.7% to 1.4% between the same two periods.

B. Weak aggregate demand has triggered falls in trade

The conditions described have produced a fall in global trade. Trade grew rapidly until the outbreak of the global financial crisis, but slowed thereafter. The figures available for the period from 1990 to 2016 show that global trade growth went from 7.3% on average in the 1990s to 4.5% in 2001-2016 (see table III.3).

Table III.3

Selected regions: export growth, 1992-2016
(Percentages)

	1992-1995	1996-2000	2001-2007	2008-2011	1992-2000	2001-2016
Global trade	6.9	7.7	6.6	2.7	7.3	4.5
Global exports	7.0	7.4	6.6	2.8	7.2	4.5
Advanced economies	6.6	7.6	5.4	1.9	7.2	3.8
United States	7.3	6.7	3.9	3.6	6.9	3.3
Latin America and the Caribbean	9.9	7.8	4.9	1.2	8.7	3.2
Emerging and developing economies	9.0	6.8	10.0	4.5	7.8	6.4
Middle East and North Africa	6.4	3.2	6.6	3.4	4.6	4.9
Emerging and developing Asia	13.4	8.6	15.0	7.1	10.7	9.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, April 2017.

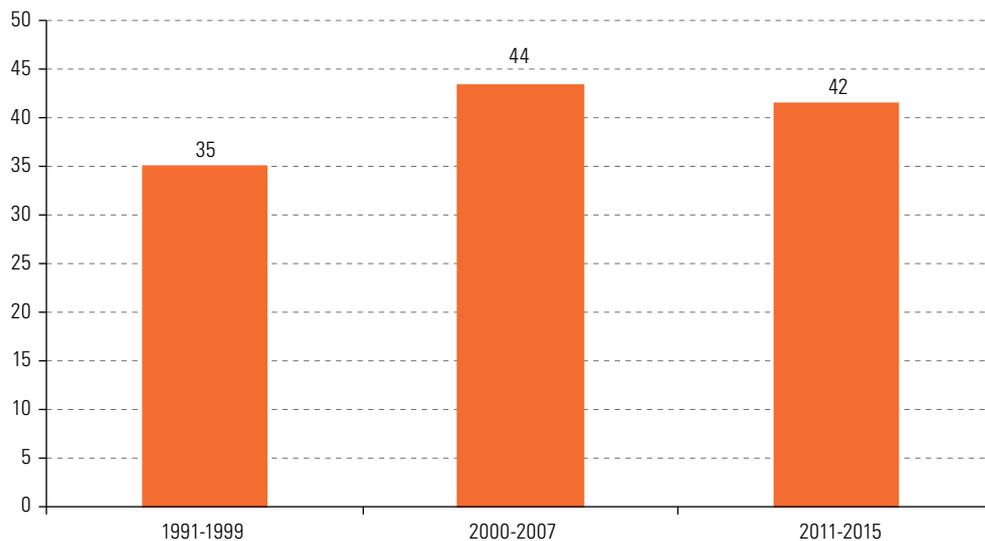
The slowdown in trade has hit the advanced economies the hardest—and most of them to a similar degree—and the developing world to a lesser extent. Overall, advanced economy export growth fell from an average of 6%-7% in the 1990s to less than 4% in the period 2000-2016.

Conversely, the slowdown has been uneven in the case of developing economies. The trade downturn in this grouping has been concentrated in Latin America and the Caribbean and North Africa and the Middle East, more than in Asia.

The decline in trade partly reflects structural factors, including slower growth of global value chains. The ratio between external and domestic value added for global exports rose by 8.4 percentage points between 1995 and 2007 and just 2.5 percentage points between 2010 and 2015. An alternative way of measuring this is through growth in the trade of intermediate goods, which has flatlined according to the latest estimates.

However, the evolution of trade also reflects the behaviour of aggregate demand. A breakdown of trade variation by the Organization for Economic Cooperation and Development (OECD, 2016) showed that in 2011-2015 global aggregate demand explained over 40% of the variations in trade (see figure III.4).

Figure III.4
Contribution of
aggregate global
demand to trade growth,
1991-1999, 2000-2007
and 2011-2015
(Percentages)



Source: Organization for Economic Cooperation and Development (OECD), OECD Data 2016 [online] <https://data.oecd.org/>.

In addition, insofar as the drop in trade growth at the global level can be attributed to trade-intensive aggregate demand components, like investment, a drop in global GDP will have a stronger effect on trade than a drop in aggregate demand components that are less trade intensive. Accordingly, trade has become less sensitive to changes in income (that is, trade has become less income-elastic). The evidence available for the period 1990-2015 shows that the long-run elasticity of the export volume index to global manufacturing output fell from 2.0 in 1991-2000 to 1.7 in 2002-2008 and 1.0 in 2010-2015. The same phenomenon occurs at the regional level.

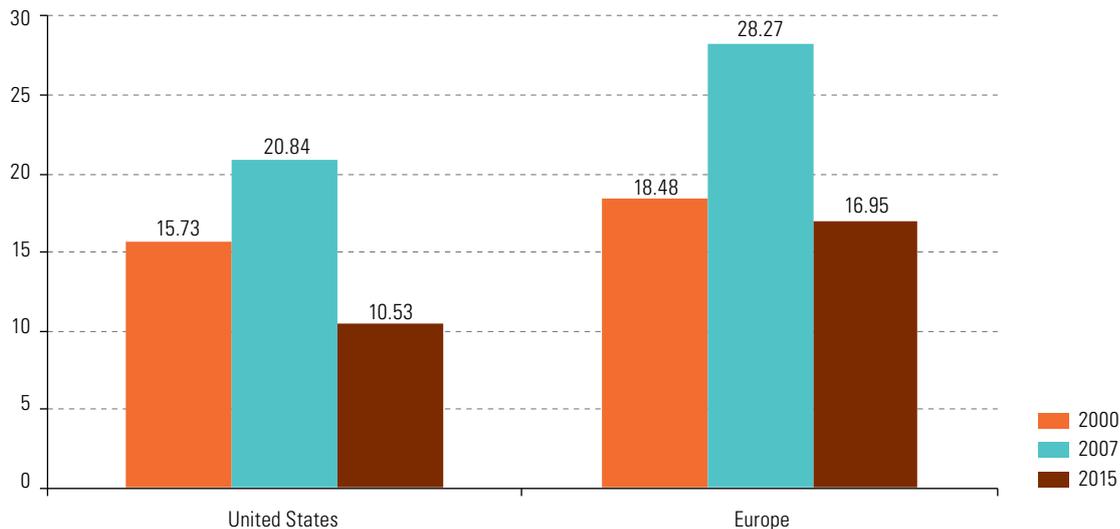
C. Contrasting with slack activity in the real sector, global financial globalization has forged ahead

The global financial crisis affected not only real economic performance, but also the global financial system, with global banks engaging in heavy deleveraging in the aftermath of the crisis. This is apparent in figure III.4, which shows the leveraging of large global banks in the United States and Europe, with combined assets of US\$ 70 trillion, over the period 2000-2015.

Figure III.5 shows how United State banks increased their leverage between 2000 and 2007, from a ratio (assets over equity) of 15.73 to 20.84 on average, then deleveraged to 10.53 by 2015. European banks followed a similar path, increasing their average leverage ratio from 18.48 to 28.27 and then reducing it to 16.95 on average by 2015.

Figure III.5

Europe and the United States: average leverage ratios of global banks, 2000, 2007 and 2015

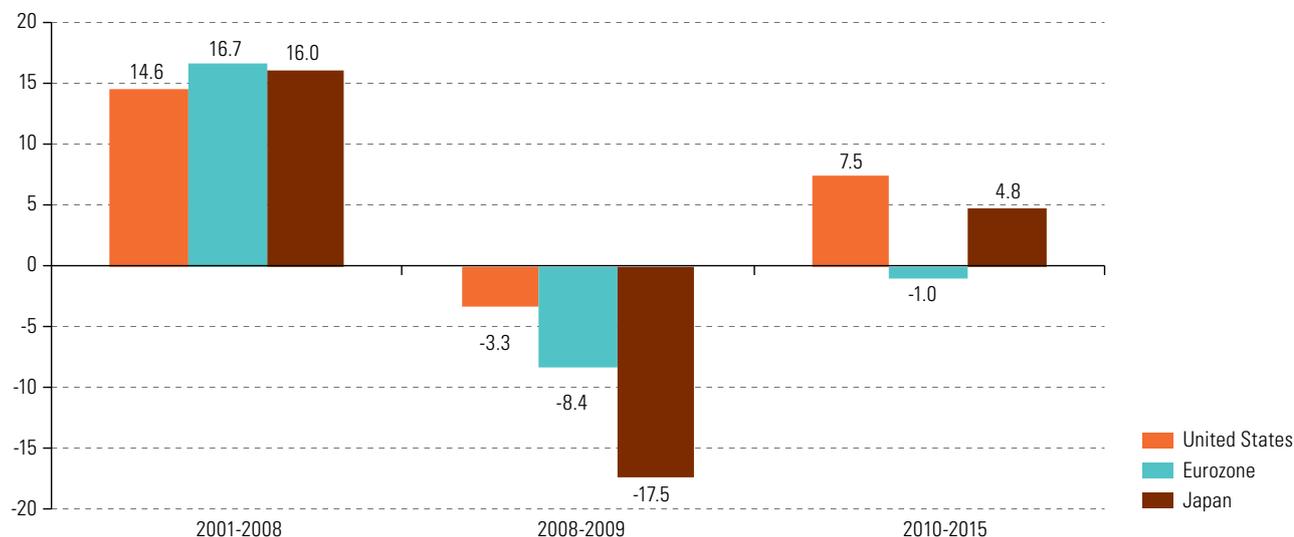


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg, 2016.

Deleveraging by global banks produced a decline in cross-border bank lending across the world. The data available show that between 2001-2008 and 2010-2015, the growth rate in bank lending fell on average from 14.6% to 7.5% in the United States, from 16.7% from -1.0% in the eurozone, and from 16.0% to 4.8% in Japan (see figure III.6).

Figure III.6

Eurozone, Japan and the United States: growth rate of cross-border bank lending, 2001-2008, 2008-2009 and 2010-2015 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), BIS Statistics, 2017 [online] <http://www.bis.org/statistics/index.htm>; and E. Pérez Caldentey, "Quantitative Easing (QE), changes in global liquidity and financial instability", *International Journal of Political Economy*, forthcoming, 2017.

Financial globalization, however, has not been particularly affected, because the financing gap caused by the impact of the global financial crisis has been partly covered by growth in the capital markets, especially in the bond market.

The global bond market quadrupled between 1995 and 2014, from US\$ 20 billion to US\$ 86 billion. As a result, the gap between the equity and bond markets has also widened. The volume of bonds payable exceeded market equity by US\$ 2 trillion in 1995 and by US\$ 20 trillion in 2014. Bond markets have also been more dynamic than equity markets and have become a much larger source of financing. The available data show that between 2000 and 2014 daily bond transactions in the United States expanded from US\$ 358 billion to US\$ 730 billion. Conversely, equity transactions declined from US\$ 129 trillion to US\$ 126 trillion between those two years.

The development of the global bond market reflected its importance as a source of financing. The data for the period 2000-2015 for the eurozone, Japan and the United States combined show bond financing for non-residents rising from US\$ 1.8 trillion in 2000 to US\$ 3 trillion at the end of 2008 and US\$ 6 trillion in December 2015. Since 2010, the share of the bond markets in total lending has risen steadily to somewhere between 40% and 48% of global loans to non-residents.

Given their falling rates of return, banks have also returned to strategies based in part on the rise in derivatives and interconnectivity. The deleveraging of global banks and other financial institutions was accompanied by a heavy drop in returns (see the section on global liquidity in chapter I). As the data clearly demonstrate, United States and European banks show a systematic decline in returns at all asset levels examined for the period under study. On average, between 2000-2007 and 2010-2015, the return on assets (ROA) decreased in United States banks from 1.2% to 0.8% and the return on equity (ROE) from 15.5% to 7.7% (that is, basically a 50% drop in profitability). In Europe, ROA came down on average from 0.6% to 0.2% and ROE from 14.4% to 4.9% (a fall of around 66% in profitability).

This situation has pushed banks, especially global banks, to seek alternative strategies to boost their returns. The limited recent evidence available does show a shift in these banks' business strategies. Global banks have cut down on the number of countries in which they operate, on the number of their offices and branches, and on the variety of financial products they offer. They have also concentrated their business on higher net worth clients.

Yet some of these institutions have simultaneously raised their stocks of riskier financial instruments, such as derivatives—which formed the core of the fragility underlying the great financial crisis of 2008-2009.²

Data on banks' derivatives transactions from the quarterly reports of the Bank for International Settlements (BIS) show that derivatives stock is concentrated in just a few global banks. The six banks with the largest stocks³ hold around 95% of the notional amount of derivatives contracts. Most banks increased their notional holdings of derivatives between 2008 and 2015: in both years 24 banks reported notional derivatives values and 14 of them increased their holdings over that period, including the largest among their number—Citibank (whose holdings increased from US\$ 33.3 billion to US\$ 46.4 billion), Goldman Sachs (from US\$ 32 billion⁴ to US\$ 41 billion) and Wells Fargo (from US\$ 1.0 billion to US\$ 5.7 billion) (see table III.4).

	2000	2007	2000-2007	2010	2015
J.P. Morgan Chase	-	84 789	47 433	77 899	51 139
Citibank	5 085	33 333	16 025	50 253	46 400
Goldman Sachs	-	-	-	42 548	41 041
Bank of America	7 366	32 092	17 719	48 464	25 669
Wells Fargo	197	1 031	691	3 755	5 733
HSBC	223	4 221	2 042	3 667	4 165
Morgan Stanley	-	-	-	374	2 119
State Street Bank and Trust Company	143	783	378	779	1 272
Bank of New York Mellon	314	935	621	1 429	1 068
PNC Bank, National Association	48	286	121	345	352
Northern Trust	18	139	64	244	251
Sun Trust Bank	40	302	114	320	249
US Bank National Association	-	94	53	97	198
TD Bank	-	-	-	67	187
MUFG Union Bank	15	30	21	43	129
Regions Financial Corporation	-	53	40	122	79
Fifth Third Bank	-	50	38	78	70
Keybank National Association	74	122	90	68	68
Capital One National	-	-	-	-	65
Branch Banking and Trust Company	-	51	32	66	57
Citizens Bank	-	54	54	43	52
BOKF National Association	-	-	-	-	36
Huntington National Bank	-	-	-	28	32
Compass Bank	-	-	-	-	31
Capital One Bank USA	-	-	24	-	31

Table III.4

United States: banks with the largest holdings of derivatives contracts
(Billions of dollars)

Source: Office of the Comptroller of the Currency of the United States, 2016.

² Onaran (2016) says that, "The transformation of Citigroup, and similar changes at HSBC Holdings Plc and other global banks, isn't just about cutting expenses. It's also about looking for greater returns by focusing on the richest customers—high-net-worth individuals, large corporations and institutional investors... But in serving those clients, the bank has bulked up on trading, a business that helped get it into trouble before... The company, which used to make most of its profit from consumer banking, now gets the majority from corporate and investment banking."

³ J.P. Morgan Chase, Citibank, Goldman Sachs, Bank of America, Wells Fargo and HSBC.

⁴ The figure of US\$ 32 billion for Goldman Sachs refers to 2008.

In addition, global banks' heavier reliance on derivatives and on institutions such as corporate banks and investment banks has made them more interconnected. Following Shin (2009), a preliminary indicator of interconnectedness was calculated for a sample of European and United States banks. This indicator gives the percentage of bank financing obtained from the financial system. In the case of the United States, the calculations show that the percentage of intra-system funds was 62% for the larger banks (in asset terms) before the global financial crisis, rising to around 70% post-crisis. A similar result was found for the 15 largest European banks, with the indicator rising from 63% to 68% (see figure III.7).

Figure III.7

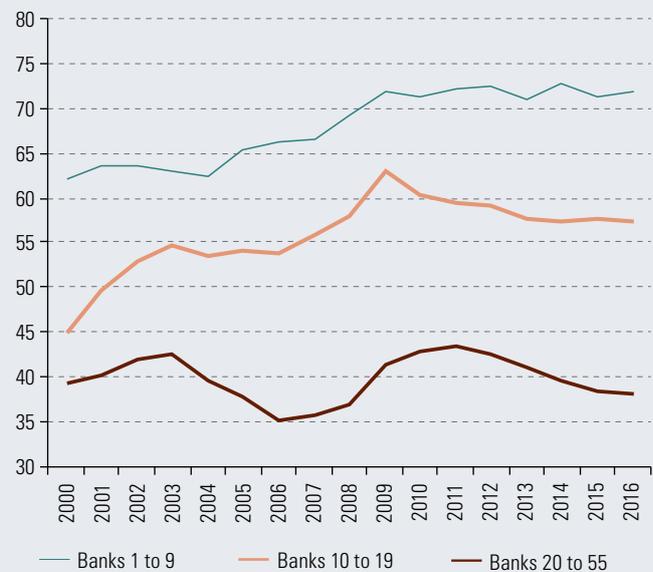
Latin America, United States, Europe and Asia: average interconnectedness of largest banks, weighted by total assets 2000-2016

(Percentages)

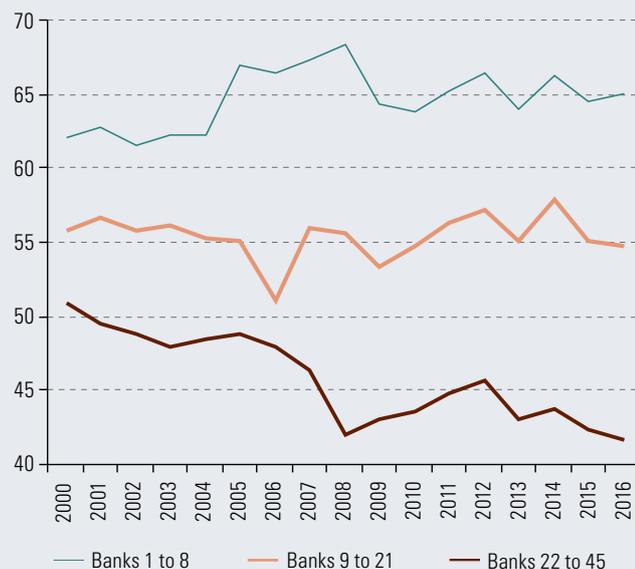
A. Latin America



B. United States



C. Europe



D. Asia



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of H.S. Shin "Financial Intermediation and the Post-Crisis Financial System", Princeton University [online] <https://pdfs.semanticscholar.org/7082/50cccf76b5943fd1268124c44881875b1591.pdf>, 2009.

Note: The banks are ordered from 1 onwards, by (decreasing) size of their assets, in order to make up the groups of banks presented in the figure.

D. External forces have been transmitted to the region through real channels

This new global context, with slacker external demand and financial globalization continuing regardless, has led to external forces being transmitted to the region through real channels, especially trade, rather than financial channels. Given the close link between trade and the economies' production structure, external shocks have had uneven impacts in the region.

Sluggish external demand is reflected in the slowing growth of export volumes at the regional and subregional levels. However, analysis by type of production structure shows that there are notable differences in export performance.

The figures for the periods 2003-2008 and 2012-2016 show that Latin America's export growth fell from 4.5% to 2.6% (see table III.5). The largest drop occurred in South America's exports, whose growth rate dropped from 5.6% to 0.7% between the two periods, a fall of 4.9 percentage points. In the case of the group comprising Central America, the Dominican Republic and Haiti, the fall in export growth was slightly smaller, from 6.6% to 2.5%, or 4.0 percentage points. Overall, export growth remained stronger in this grouping than in South America.

Table III.5

Latin America and the Caribbean (selected subregions and groupings): rate of variation in the volume of exports and terms of trade, 2003-2008 and 2010-2016 (Percentages)

	2003-2008	2012-2016	Change (percentage points)
	Export volumes		
Latin America	4.5	2.6	-2.0
South America	5.6	0.7	-4.9
Southern Common Market (MERCOSUR)	7.5	1.2	-6.3
Exporters of mining products (Chile and Peru)	6.3	1.4	-4.8
Exporters of hydrocarbon products (Bolivian Republic of Venezuela, Colombia, Ecuador and Plurinational State of Bolivia)	2.2	-0.8	-3.0
Central America, Dominican Republic and Haiti	6.6	2.5	-4.0
Exporters of agro-industrial products (Argentina, Paraguay and Uruguay)	5.6	-1.8	-7.3
Other financially integrated countries (Brazil, Colombia and Mexico)	4.8	4.4	-0.4
Exporters of hydrocarbon products, including Trinidad and Tobago (Bolivian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago)	2.5	-0.9	-3.4
	Terms of trade		
Latin America	3.1	-4.2	-7.3
South America	4.8	-4.8	-9.6
Southern Common Market (MERCOSUR)	1.9	-2.9	-4.8
Exporters of mining products (Chile and Peru)	6.9	-3.2	-10.1
Exporters of hydrocarbon products (Bolivian Republic of Venezuela, Colombia, Ecuador and Plurinational State of Bolivia)	9.9	-10.5	-20.3
Central America, Dominican Republic and Haiti	-2.5	-0.6	1.9
Exporters of agro-industrial products (Argentina, Paraguay and Uruguay)	3.6	-0.2	-3.8
Other financially integrated countries (Brazil, Colombia and Mexico)	1.7	-4.2	-5.9
Exporters of hydrocarbon products, including Trinidad and Tobago (Bolivian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago)	9.4	-9.9	-19.3

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

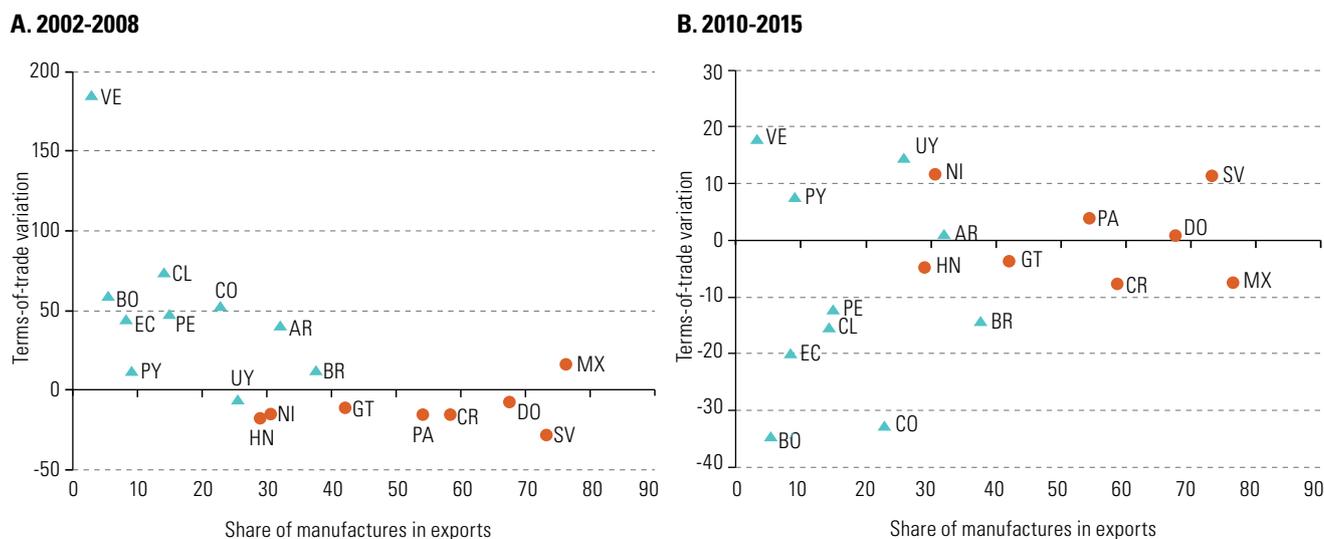
Analysing by type of production structure, the countries that export minerals and agribusiness products were the worst affected by the drop in global demand, followed by the hydrocarbon exporters. Between 2003-2008 and 2012-2016, the rate of variation in exports declined from 6.3% to 1.4% in the mineral-exporting countries, from 5.6% to -1.8% in the exporters of agribusiness products, and from 2.2% to -0.8% in the hydrocarbon-exporters of South America.

The impact of the terms of trade by type of production structure shows a similar pattern. The exporters of mining products and hydrocarbons were the worst affected by the terms-of-trade shock the region has suffered since 2011. Terms of trade have fallen in the three groups of countries mentioned, by 3.2% for the exporters of mining products, by 10.5% for the South American hydrocarbon exporters and by 0.2% for the exporters of agro-industrial products. In the group comprising Central America, the Dominican Republic and Haiti, terms of trade contracted by just 0.6%.

The differentiated impact of the terms of trade by production structure is reflected in figure III.8, which shows the variation in the terms of trade in relation to the share of manufactures in each country's total exports—as a proxy for its production structure—for the periods 2002-2008 and 2010-2015.

Figure III.8

Latin America (18 countries): variation in the terms of trade and the share of manufactures in total exports, 2002-2008 and 2010-2015 (Percentages)



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

Note: A statistical analysis shows that the correlation coefficient between the variation in the terms-of-trade and manufacturing exports as percentage of the total is statistically significant at the 95% confidence level for both periods considered. The average share of manufactures in the volume exported by each country—which is quite stable in the medium term, but was averaged to smooth out small variations—was calculated for the period between 2002 and 2008 on the basis of data from the Economic Commission for Latin America and the Caribbean (ECLAC) on annual exports by type of goods. A terms-of-trade index calculated by the United Nations Conference on Trade and Development (UNCTAD) with base year 2000 was used to compute the percentage variation of a terms-of-trade index in the periods 2002-2008 and 2010-2015.

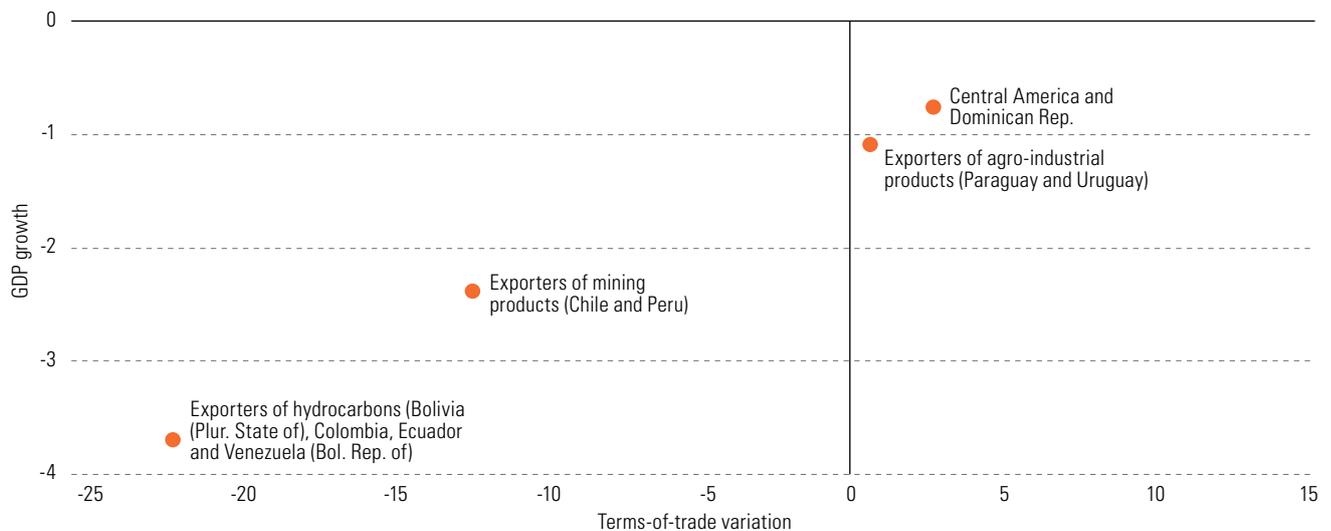
In the first period, the terms-of-trade variation favoured the countries that export very few manufactures (that is, exporters of mainly bulk foodstuffs, hydrocarbons, metals and minerals), which later faced much less beneficial conditions on average. After the financial crisis the pattern was inverted and the manufacturing economies benefited more, relatively speaking. It is also evident that the triangles, which represent

the South American countries, and the circle, which represent the Central American, Mexico and the Dominican Republic, are well aligned as exporters of primary goods and manufactures, respectively.

Figure III.9 shows that there is also a close link between variations in terms-of-trade and in GDP by export structure. As may be appreciated, terms-of-trade shocks have a very different effect on the hydrocarbons-exporters, which show the worst output and terms-of-trade performance, to the exporters of minerals, which saw falls that were large but smaller than those of the hydrocarbons-exporters, and the relatively privileged situation of the manufacturing exporters, which suffered softer terms-of-trade shocks and saw no downturn in aggregate output.

Figure III.9

Latin America (selected countries): average variation in terms of trade and GDP by type of export structure, 2003-2008 to 2012-2016
(Percentage points)



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

These considerations help to explain, in part, why growth performance is uneven across the subregions and between types of production structure. In line with the foregoing results, the group comprising Central America, Mexico and the Dominican Republic achieved a better growth performance than South America. Average trend GDP growth, for example, has fallen very little in the first group, just edging down from 3.6% in 2003-2008 to 3.4% in 2010-2016, but considerably more in South America, from 4.2% to 2.3% between the same two periods (see table III.6).

	2003-2008	2010-2016
Latin America and the Caribbean (18 countries)	3.9	2.8
Central America, Mexico and the Dominican Republic	3.6	3.4
South America	4.2	2.3

Table III.6

Latin America and the Caribbean: annual growth in trend GDP, 2003-2008 and 2010-2016
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, April 2017.

E. Financial globalization has maintained financial flows into the region

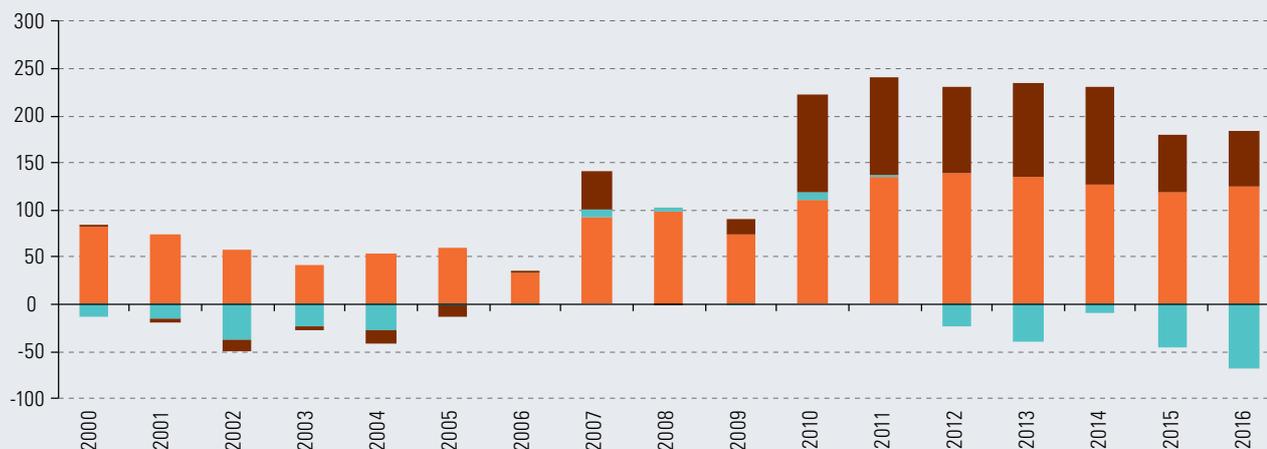
Unlike external aggregate demand, financial globalization has provided a continuous impulse, which has kept financial flows into the region buoyant.

Figure III.10 shows gross and net financial flows into the region (i.e. those corresponding to movements by non-residents and the difference between resident and non-resident flows). The graph clearly shows that gross and net flows into the region rose in 2007, when they jumped to an annual figure of US\$ 300 billion in the post-crisis upturn, after hovering around US\$ 100 billion in the preceding years.

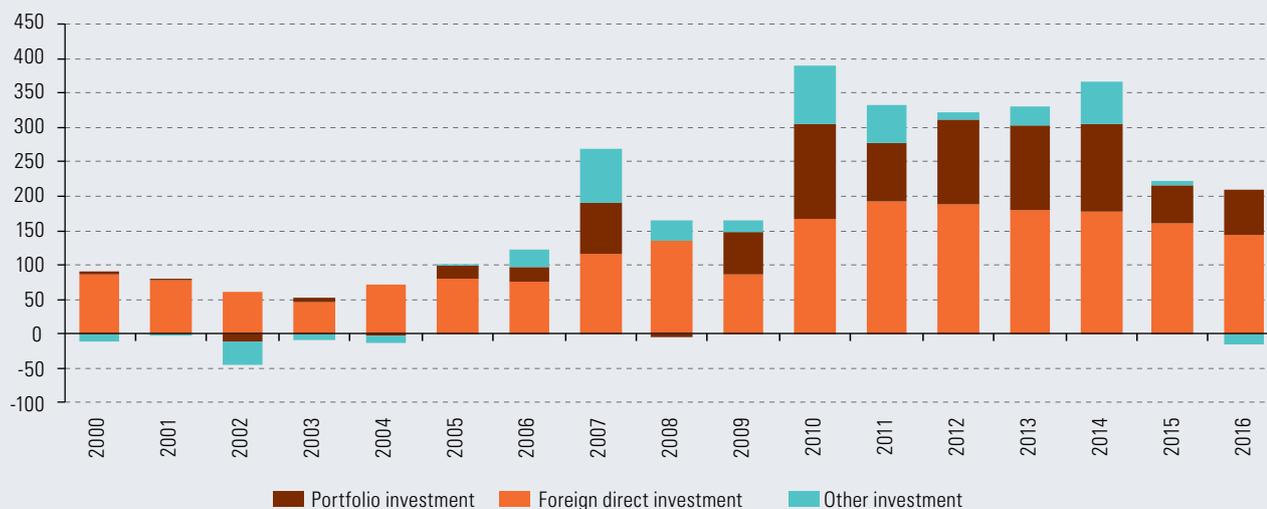
Figure III.10

Latin America and the Caribbean: net and gross financial inflows, 2000-2016
(Billions of dollars)

A. Net financial flows



B. Gross financial flows



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database and World Bank, "World Bank Open Data" [online] <http://data.worldbank.org/>.

Second, in this new scenario, investment flows are more diverse than in the earlier period, with strong growth in other investment and portfolio investment. The only year prior to the crisis in which these flows were similar to the more recent period is 2007, which makes the setback in 2008 and 2009 look like a deviation in a more permanent process of change. However, the levels recorded in 2015 and 2016 appear to be exceptions to the trend of recent years, because the volume of gross flows into the region fell notably in the case of portfolio investment and other investment. This coincided the gradual rise of interest rates in the United States, which is expected to continue and to occur in the eurozone in the coming years as well. Nevertheless, in the post-crisis period financial flows have exceeded those registered before the crisis in both gross and net terms.

This has meant that, unlike other periods, 2010-2015 has seen virtually no sudden stops in capital flows (with the exception of Colombia in late 2015) (see table III.7).

Period	Sudden stops	Surges	Flights	Retrenchment	Total
1990-1999	7	5	3	4	19
2000-2007	0	8	8	1	17
2008-2009	4	0	2	4	10
2010-2015	1	2	2	1	6

Table III.7
Latin America: extreme episodes in gross financial flows, 1990-2015^a
(Number)

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

^a Includes episodes for Brazil, Chile, Colombia, Mexico and Peru.

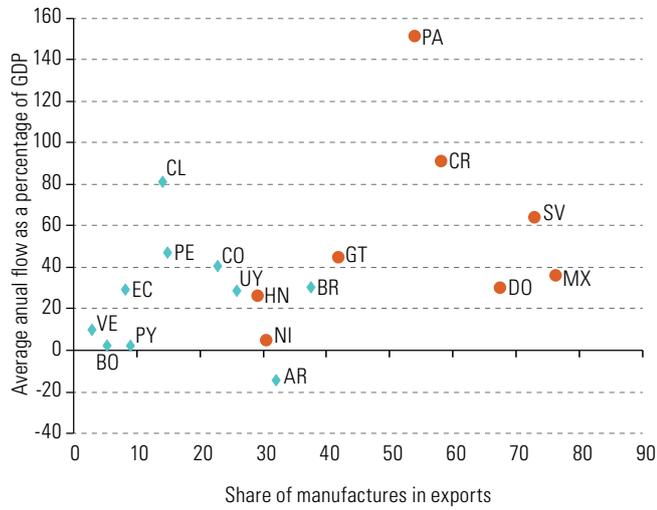
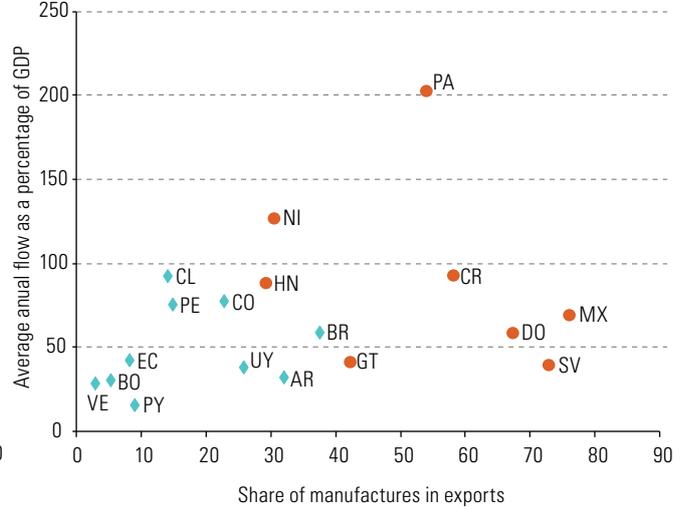
The figures shown in table III.7 are data from Brazil, Chile, Colombia, Mexico and Peru, which account for approximately 80% of financial flows into the region. The data were compiled by taking the sum of direct investment, portfolio investment and other investment by non-residents each quarter, and the sum of equivalent entries for non-residents, and analysing the number of extreme episodes in these flows in the five countries mentioned.⁵ The table distinguishes between movements into the country originated by non-residents (sudden stops and surges) and by residents (flight and retrenchment). From 1990 to 2007, the sample of countries showed 36 extreme episodes (19 in 1990-1999 and 17 in 2000-2007), with an average of 2 per year and a greater number of stops in the 1990s (7 episodes) and surges in the 2000s (8 episodes). The annual average number of episodes falls to half in the post-crisis period, in which the volume of flows has been higher but more stable, especially movements by non-residents. Between 2010 and 2015 there have been only three extreme episodes (1 sudden stop and 2 surges) versus 8 episodes (all surges) during the period of the commodity boom.

The evidence also shows that the dynamic of financial flows is not related to the production structure and it has thus had a more homogenous impact across the subregions. As illustrated in figure III.11, there is no particular statistical relation between capital flows and the countries' export structure either within or between the two periods analysed, unlike with the terms of trade.

⁵ The methodology is that developed by Forbes and Warnock (2012) and used in Klein (2017) for Latin America. It functions as follows: the year-on-year variation is computed for each type of flow, then any variation that is unusually large and positive (surges in the case of non-residents and retrenchments in the case of residents) or unusually large and negative (sudden stops in the case of non-residents and flights in the case of non-residents) is identified. Variation is classified as an extreme episode if it is two standard deviations above or below its moving average for at least one quarter. If this occurs, the episode is considered to begin in the quarter when the movement exceeds one standard deviation from the average and to end in the quarter when it returns within one standard deviation.

Figure III.11

Latin America: average annual financial flows as a proportion of GDP and share of manufactures in total exports, 2002-2008 and 2010-2016
(Percentages)

A. 2000-2008**B. 2010-2016**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database and World Bank, "World Bank Open Data" [online] <http://data.worldbank.org/>.

Note: A statistical analysis shows that the correlation coefficient between the annual average financial flows and manufacturing exports as percentage of the total is not statistically significant at the 95% confidence level for both periods considered.

F. Growth in finance has had two consequences for the region: growth in household credit and heavier reliance by the non-financial corporate sector on external financing

In financial terms, the region is traversing a period of rapid growth in credit to the private sector and a rise in household borrowing levels. This is occurring most intensively in some of the economies whose production structures are most vulnerable to external shocks. Table III.8 shows that in the period 2010-2015, the ratio between private credit and GDP has risen faster in South America than in Central America.

	1995-2008	2010-2015
Latin America and the Caribbean (18 countries)	2.0	4.4
Central America	3.4	3.7
South America	0.9	5.0

Table III.8

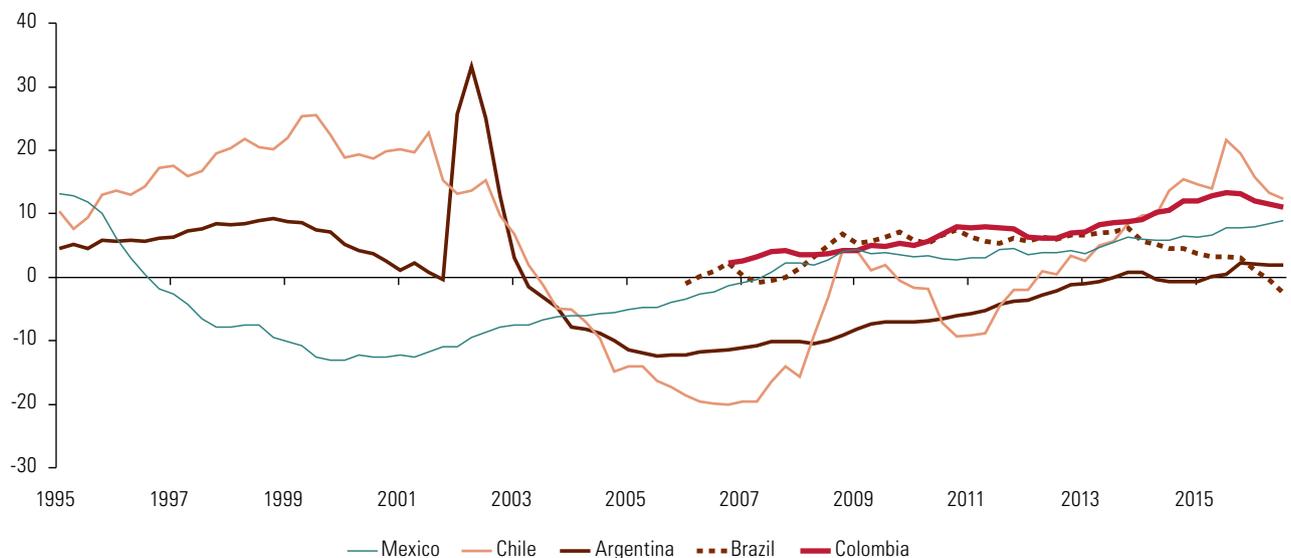
Latin America and the Caribbean: ratio of private credit to GDP, 1995-2008 and 2010-2015 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from World Bank, 2016.

Aside from the question of why credit is rising—which could reflect a healthy financial deepening of the economy—there is the question of lending cycles. These serve as an alert to possible future fragility in the financial system, as well as indicating how much margin the economy has to continue fuelling demand through credit in the short term. Figure III.12 shows how credit gaps have widened in several South American countries, including Brazil, Chile and Colombia. Except for Brazil, all the countries in the sample have less margin for lending now than they did before the outbreak of the global financial crisis.

Figure III.12

Latin America (selected countries): evolution of the credit gap with respect to GDP (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), BIS Statistics, 2017 [online] <http://www.bis.org/statistics/index.htm>.

Note: The graph shows the credit-to-GDP gap, defined as the percentage difference between the current value of the credit-to-GDP ratio and its long-term trend. The credit considered is total credit extended to the non-financial private sector and the long-term trend is calculated using a one-sided Hodrick-Prescott filter (1997).

The evidence available on household indebtedness backs up this message: household borrowing levels are high in Chile and Brazil, and the general upward trend is shared by Mexico and Colombia as well, although their overall debt levels are quite a lot lower. In Brazil (see IMF 2016a,) average household debt has doubled in 10 years as a percentage of household income, from 21% in 2006 to 42% in 2016, while the service of household debt has risen on average from 15% to 22% of disposable income. Although arrears are not widespread for the time being, non-performing loans have edged up among a specific group of debtors.

In the case of Chile, the central bank notes that household borrowing has risen moderately but steadily over the past few years, from 50% of disposable income in 2006 to 65% in 2016. Average debt service has stabilized at around 15% of income over this period and has thus not generated financial tensions; however, this relatively low financial burden could be influenced by the unusually low rates of interest over the past five years. In Colombia, average household debt rose from 28% to 32% of disposable income in 2015 and average debt service edged up from 9% to 9.5% of disposable income. In Mexico, the available data indicate that average household debt climbed from 18.4% of disposable income to 21.7% between 2010 and 2015. There are no comparable data for 2016, but in GDP terms household debt had risen from 15% to 16% of GDP in June 2016 (IMF, 2016a, figure 4a).

Indebtedness also affects the non-financial corporate sector. Like other emerging economies, the Latin American countries took advantage of the expanding international bond markets. Between 2009 and 2016, Latin American bond issues on the international market rose from US\$ 20 billion to approximately US\$ 90 billion, peaking at US\$ 150 billion in 2015. For the Latin American and Caribbean region overall, external debt liabilities hovered around US\$ 300 billion between 2000 and 2009, then began to climb steadily to reach US\$ 716 billion in the first quarter of 2016 (US\$ 689 billion of this corresponded to Latin America).

Analysis by country shows that external borrowing levels have risen in all the economies, except Argentina and Ecuador. The debt stock is concentrated mainly in Mexico and Brazil (which account for 32.4% and 19.8% of the total, respectively) and to a lesser extent in Chile (9.1%), Argentina (7.7%), Bolivarian Republic of Venezuela (7.3%), Colombia (7.0%) and Peru (6.4%). These seven economies account for 80% of all bond liabilities. As a proportion of GDP, the countries most exposed to the bond market include several in South America (Bolivarian Republic of Venezuela, Chile, Colombia, Peru and Uruguay) (see table III.9).

Table III.9 Latin America (17 countries): international debt stock and proportion of the regional total and of each country's GDP, 2000-2007 period to first quarter of 2016
(Billions of dollars and percentages)

Country	Billions of dollars							Percentage of the total for Latin America							Percentage of the country's GDP							
	2000-2007	2008	2009	2012	2014	2015	2016 ^a	2000-2007	2008	2009	2012	2014	2015	2016 ^a	2000-2007	2008	2009	2012	2014	2015	2016 ^a	
Argentina	82 588	56 242	52 552	52 413	50 107	49 632	53 069	26.5	18.7	15.3	9.9	7.7	7.4	7.7	46.9	15.3	15.6	9.0	8.6	8.8	7.8	
Bolivia (Plurinational State of)	0	0	0	650	1 650	1 650	1 650	0.0	0.0	0.0	0.1	0.3	0.2	0.2	0.0	0.0	0.0	2.4	5.4	5.0	5.0	
Brazil	81 408	76 104	91 234	148 082	157 452	139 100	136 548	26.2	25.4	26.5	27.9	24.1	20.8	19.8	12.3	4.5	5.5	6.0	6.2	6.5	7.8	
Chile	12 477	12 913	14 762	33 197	54 162	60 444	62 803	4.0	4.3	4.3	6.3	8.3	9.0	9.1	13.2	7.2	8.6	12.5	15.4	20.9	25.2	
Colombia	13 458	17 114	21 951	32 747	41 886	46 807	48 135	4.3	5.7	6.4	6.2	6.4	7.0	7.0	11.1	7.0	9.4	8.9	10.0	11.1	16.0	
Costa Rica	1 707	1 650	1 350	2 350	6 100	7 227	7 227	0.6	0.5	0.4	0.4	0.9	1.1	1.0	9.0	5.4	4.5	5.1	10.2	12.3	13.6	
Dominican Republic	1 214	1 487	1 415	3 266	6 303	9 828	10 788	0.4	0.5	0.4	0.6	1.0	1.5	1.6	4.5	3.1	2.9	5.4	7.8	9.7	14.4	
Ecuador	6 895	6 372	3 301	2 069	2 912	3 747	3 747	2.2	2.1	1.0	0.4	0.4	0.6	0.5	24.3	10.3	5.3	2.4	1.6	2.9	3.7	
El Salvador	2 167	3 380	4 180	5 290	6 104	5 940	5 940	0.7	1.1	1.2	1.0	0.9	0.9	0.9	12.4	15.8	20.2	22.2	21.8	24.4	23.0	
Guatemala	818	1 090	1 090	2 315	3 515	3 515	3 515	0.3	0.4	0.3	0.4	0.5	0.5	0.5	3.2	2.8	2.9	4.6	5.2	6.0	5.5	
Mexico	68 010	62 319	76 680	138 233	195 130	209 172	223 598	21.9	20.8	22.3	26.0	29.9	31.2	32.4	9.1	5.7	8.6	11.7	13.7	15.1	18.3	
Nicaragua	1	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Panama	6 854	9 423	10 755	13 153	17 674	18 495	19 197	2.2	3.1	3.1	2.5	2.7	2.8	2.8	44.2	38.4	40.4	32.9	33.4	35.9	35.5	
Paraguay		0	0	800	2 600	2 880	3 380	0.0	0.0	0.0	0.2	0.4	0.4	0.5	-	-	-	3.3	4.5	8.4	10.4	
Peru	6 674	9 722	13 064	27 137	40 411	44 141	44 294	2.1	3.2	3.8	5.1	6.2	6.6	6.4	9.2	8.1	10.8	14.1	16.2	20.0	23.2	
Uruguay	5 515	8 509	9 207	10 048	12 726	14 964	14 679	1.8	2.8	2.7	1.9	1.9	2.2	2.1	30.8	28.0	29.1	19.6	20.0	22.2	28.0	
Venezuela (Bolivarian Republic of)	20 828	33 564	42 963	59 090	54 551	52 037	50 537	6.7	11.2	12.5	11.1	8.4	7.8	7.3	16.4	11.6	18.1	17.8	24.7	21.8	21.7	
Total	310 630	300 167	344 504	530 840	653 283	669 579	689 107	100	100	100	100	100	100	100								

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Bank Open Data" [online] <http://data.worldbank.org/> and Bank for International Settlements (BIS), BIS Statistics, 2017 [online] <http://www.bis.org/statistics/index.htm>.

^a Data refer to the first quarter.

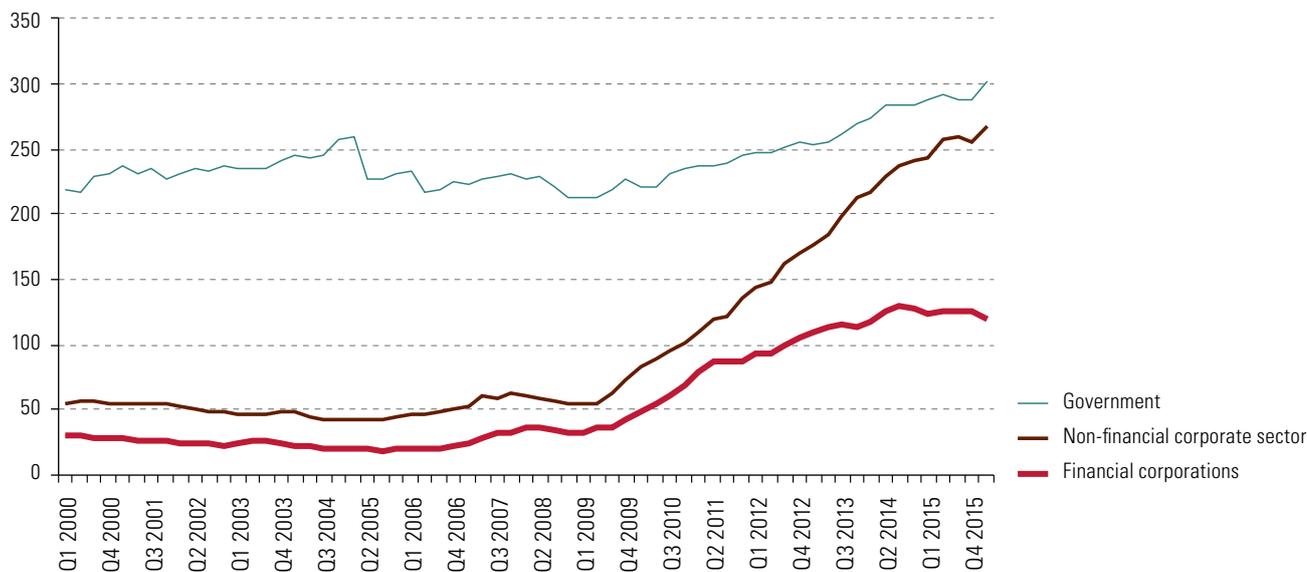
A more detailed analysis at the level of institutional sectors (financial institutions, non-financial corporate sector and central government) for 2002-2015 shows two clear trends, corresponding to the periods before and after the global financial crisis. In the first period (2002-2007), the stock of bonds payable changed little in the holdings of any of the three sectors. In 2002, the securitized debt stock amounted to US\$ 230 billion in the central government sector, US\$ 51 billion in the non-financial corporate sector and US\$ 25 billion in the financial sector. At the end of 2008, these figures had barely varied (US\$ 213 billion, US\$ 54 billion and US\$ 32 billion, respectively).

In the second period analysed, however, borrowing in the international bond markets rose in all three sectors. The largest rise took place in the non-financial corporate sector, which made up much of the distance that had previously separated it from the central government sector, by far the largest holder of securitized debt until then.

Between 2008 and 2015, the stock of securitized international debt rose from US\$ 200 billion to US\$ 300 billion for the central government and from US\$ 37 billion to US\$ 119 billion for the financial sector, representing rises of 50% and 221%, respectively (see figure III.13). In the case of the non-financial corporate sector, the stock of securitized international debt climbed from US\$ 61 billion to US\$ 267 billion, a rise of 338%.

Figure III.13

Latin America (17 countries): stock of securitized international debt by issuing sector, quarterly data, first quarter of 2000 to first quarter of 2016^a
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), BIS Statistics, 2017 [online] <http://www.bis.org/statistics/index.htm>.

^a The countries included are: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

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Annex III.A1

Table III.A1.1

Latin America
(18 countries): ratio
between private credit
and GDP, 1995-2008
and 2010-2015
(Percentages)

Country	1995-2008	2010-2015
Argentina	-3.4	2.4
Bolivia (Plurinational State of)	-2.3	6.3
Brazil	0.5	4.0
Chile	5.1	1.9
Colombia	0.8	1.3
Costa Rica	11.5	4.3
Dominican Republic	0.6	3.0
Ecuador	0.2	1.6
El Salvador	1.5	1.6
Guatemala	2.5	6.3
Honduras	5.3	2.4
Mexico	-1.1	5.7
Nicaragua	4.7	5.5
Panama	2.0	0.5
Peru	3.3	6.7
Paraguay	0.3	9.0
Uruguay	0.4	5.1
Venezuela (Bolivarian Republic of)	4.1	12.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from World Bank, 2016.

Table III.A1.2

Latin America
(18 countries): growth
in gross fixed capital
formation, 2003-2008
and 2010-2015
(Percentages)

Country	2003-2008	2010-2015	Change (percentage points)
Nicaragua	5.5	10.9	5.4
El Salvador	1.7	3.6	1.9
Bolivia (Plurinational State of)	7.5	8.5	1.0
Guatemala	2.8	3.7	0.9
Panama	14.3	14.8	0.5
Ecuador	6.7	5.3	-1.4
Mexico	5.5	2.9	-2.6
Paraguay	6.8	4.1	-2.6
Costa Rica	6.8	3.9	-3.0
Dominican Republic	8.3	5.0	-3.3
Colombia	11.0	7.0	-4.0
Honduras	10.5	4.8	-5.8
Chile	10.7	3.6	-7.1
Brazil	6.8	-1.0	-7.8
Peru	14.2	3.4	-10.9
Uruguay	15.8	3.6	-12.2
Argentina	15.2	1.3	-13.9
Venezuela (Bolivarian Republic of)	22.9	-0.6	-23.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from World Bank, 2016.

Note: The countries are listed in (decreasing) order of the magnitude of the variation in percentage points.

Country	2003-2008	2010-2016	Change (percentage points)
Dominican Republic	0.8	8.6	7.8
Mexico	4.2	7.8	3.5
Honduras	4.0	6.1	2.0
Bolivia (Plurinational State of)	2.9	2.5	-0.3
Costa Rica	6.6	5.6	-0.9
Guatemala	5.2	3.1	-2.1
Panama	8.4	6.2	-2.2
El Salvador	7.5	5.2	-2.3
Venezuela (Bolivarian Republic of)	-1.1	-4.2	-3.1
Ecuador	6.3	2.7	-3.6
Argentina	4.2	0.3	-3.9
Peru	7.3	2.9	-4.4
Chile	5.8	1.4	-4.5
Colombia	7.1	1.9	-5.2
Brazil	8.2	2.8	-5.3
Nicaragua	13.8	5.4	-8.4
Paraguay	14.8	5.3	-9.5
Uruguay	11.5	0.7	-10.8

Table III.A1.3

Latin America
(18 countries): average
growth in export
volumes, 2003-2008
and 2010-2016
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from World Bank, 2016.

Note: The countries are listed in (decreasing) order of the magnitude of the variation in percentage points.

Economic policies in the current cycle

Introduction

- A. Latin American and Caribbean countries face sluggish external aggregate demand
- B. Private consumption expansion as the basis for growth
- C. Trends in public spending
- D. Status of the non-financial corporate sector and investment dynamics
- E. Fiscal policy in the current cycle
- F. Financial policy in the current cycle

Bibliography

Introduction

The characteristics of the current economic cycle in Latin America and the Caribbean (2009-2016) have not been conducive to either capital accumulation or capacity-building, or therefore to sustained long-term growth.¹

There are significant differences between this cycle and the two that have preceded it (1990-2001 and 2002-2008), insofar as current economic dynamics have been determined to a great extent by the behaviour of private consumption, which has been the strongest and longest-lasting component of aggregate demand during the expansionary phase of this cycle at both the regional and subregional levels. Government spending is the other component that has bolstered the upswing of the current cycle, while investment and exports—the most dynamic components of aggregate demand from the point of view of capital formation, creation of productive capacities and long-term growth— have played a lesser role in economic growth.

Another important determinant in the evolution of the current cycle has been the decline in global aggregate demand, partly as a result of stagnating investment in developed economies, which has significantly dampened global trade. As argued in chapter III, this has affected the region in the form of less favourable terms of trade and lower export volumes. As long as global aggregate demand remains subdued, it will be difficult for the region to resume growth in the short and medium terms by way of exports as it did in the 2002-2008 cycle, especially considering the limitations for the region's exports implicit in the low income elasticity of some of its main export markets.

Among raw materials exporters, the drop in exports also hurt investment growth, which in turn pushed productivity down. In some countries, investment has also been affected by rising corporate debt levels and falling corporate profitability.

The slowdown in real activity has translated into a fall in tax revenues, which generally speaking has not been accompanied by an adjustment in spending, resulting in wider deficits and higher levels of public indebtedness.

The continued momentum of financial globalization in this cycle has been reflected—despite the negative effect of the global financial crisis—in high volumes of financial flows into the region, especially foreign direct investment (FDI) in spite of the decline registered in 2015 and 2016. This has been partly responsible for keeping credit and liquidity at high levels, hence supporting growth of private consumption, which has gone hand in hand with greater levels of borrowing.

In order to resume long-term growth, the dynamics of the cycle must change. This calls for macroeconomic policies that not only smooth out cyclical fluctuations but change those specific characteristics of the cycle that hurt both growth and the production structure of countries in the region. Countercyclical policies are not neutral when it comes to the long-term performance of economies; their design and the way they are put into practice—including the timing of their implementation and the types of instruments employed— determine and shape, together with other factors, long-term economic growth trends.

To that end, countercyclical policies must not only serve to navigate the fluctuations of aggregate demand, but also consider its composition. On the one hand, this entails maintaining the duration and intensity of the expansion and avoiding the use of public investment as the adjustment variable during cyclical fluctuations.

¹ See the analysis in chapter II.

On the other hand, it means that countries must use all instruments of macroprudential regulation at their disposal, and not confine themselves to managing the capital account or monitor exclusively countercyclical financial regulation. In fact, monitoring the level and composition of demand requires several tailor-made instruments for different contexts and contingencies, which means that government must reflect on and develop suitable tools for different situations.

On the basis of the analysis conducted in the two preceding chapters, this chapter examines the constraints of different growth options and proposes possible alternatives.

A. Latin American and Caribbean countries face sluggish external aggregate demand

The performance of the external sector plays a pivotal role in the economic growth of small and open economies, like those in the Latin American and Caribbean region.

There is a significant statistical correlation between the growth rates of exports and of GDP in the different countries of the region, including exporters of hydrocarbons, agricultural products and mining products, and the group comprising Central America and the Dominican Republic. The highest correlations occur among exporters of agricultural and mining products —0.65 and 0.52, respectively (see table IV.1).

Groups of countries	GDP and export	GDP and real effective exchange rate	Exports and real effective exchange rates
Hydrocarbon exporters (Bolivia (Plurinational State of), Colombia and Ecuador)	0.2446** (0.0344)	[-0.0075] (0.9489)	0.2429** (0.0358)
framework Exporters of agricultural products (Paraguay and Uruguay)	0.6532*** (0.0000)	0.2854** (0.0445)	0.1678 (0.2441)
Exporters of mining products (Chile and Peru)	0.5202*** (0.0001)	0.058 (0.9679)	0.1372 (0.3421)
Central America and Mexico	0.3965*** (0.0000)	0.0241 (0.7346)	0.0184 (0.7964)

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

Note: ** Statistically significant at 5%; *** Statistically significant at 1%.

Table IV.1

Latin America (selected country groupings): correlation coefficient between growth rates of GDP and exports, of GDP and real effective exchange rates, and of exports and real effective exchange rates, 1990–2016

In contrast with the rest of domestic aggregate demand components, exports are the only truly autonomous component insofar as their behaviour is not determined by income levels, but rather by factors outside the economic system. They are also the only component of aggregate demand capable of generating the foreign exchange inflows necessary to finance the imports of inputs required to promote economic development (Thirlwall, 2003).

A rise in exports not only has a direct impact on growth, but also boosts the other components of aggregate demand to a level they would not otherwise achieve.

Lastly, greater export activity can have a positive impact on productivity insofar as it allows for imports of capital goods that are not produced locally. As well, capital accumulation, labour supply and technological progress are in part, if not totally, endogenous to the economic system and do respond to demand-side pressures.²

Traditionally, the performance of the export sector is seen as depending on external demand and its associated income elasticity (i.e. the elasticity of exports to income in export markets), and on relative prices (real exchange rates) and their associated price elasticities (i.e. the price elasticity of the demand for imports and of the demand for exports. As argued in chapters II and III, Latin American and Caribbean countries have faced more sluggish external aggregate demand in the current cycle, which makes it difficult for them to increase their economic growth via exports in the short and medium terms.

A second factor preventing export-led economic growth in Latin America and Caribbean is the low income elasticity of exports of most countries in the region. As indicated in table IV.2, income elasticity of exports ranges between 0.0669 and 0.1647 for hydrocarbon exporters, between 0.2398 and 0.3247 for exporters of agricultural products, between 0.1847 and 0.2317 for exporters of mining products, and between 0.1116 and 0.3217 for the group comprising Central America, the Dominican Republic and Mexico.

² See McCombie and Thirlwall (1994).

Table IV.2
Latin America
(16 countries): income
elasticity of exports,
1990-2016

	Hydrocarbon exporters (Bolivia (Plurinational State of), Colombia and Ecuador)	Exporters of agricultural products (Paraguay and Uruguay)	Exporters of mining products (Chile and Peru)	Central America, Dominican Republic and Mexico	Others
Bolivia (Plurinational State of)	0,1076** (0,015) [-0,1433]** (0,012)				
Colombia	0,0669 (0,586) [-0,2345]** (0,017)				
Ecuador	0,1647 (0,140) [-0,0923]** (0,050)				
Paraguay		0,2398*** (0,000) [-0,3280]** (0,000)			
Uruguay		0,3247*** (0,004) [-0,3280] (0,162)			
Chile			0,2317** (0,012) [-0,3964]** (0,000)		
Peru			0,1847* (0,054) [-0,2017] (0,133)		
Costa Rica				0,3217*** (0,000) [-0,0900] (0,225)	
El Salvador				0,1472*** (0,004) [-0,0338] (0,762)	
Guatemala				0,1343*** (0,003) [-0,0666] (0,123)	
Honduras				0,2310*** (0,000) 0,0546 (0,491)	
Mexico				0,0766 (0,334) [-0,1925]** (0,000)	
Nicaragua				0,1116** (0,046) 0,0084 (0,951)	
Panama				0,1296** (0,018) [-0,0886] (0,633)	
Dominican Republic				0,1249* (0,092) [-0,0425] (0,281)	
Brazil					0,0784 (0,181) [-0,1353]** (0,003)

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

Note: elasticities obtained for 1990-2016 on the basis of econometric cointegration methods.

For each country, includes the values for the coefficient (income elasticity of exports), the standard error (in brackets) and the associated probabilities. * = significant at 10%, ** = significant at 5%, *** = significant at 1%.

Given the feeble export impetus generated by income in the rest of the world and its associated elasticity, any export-led growth would have to be driven more by relative prices, such as real exchange rates. It can be argued that real-exchange-rate variations could generate a resource allocation that spurs export diversification and economic growth. Competitive real exchange rates like those prevailing in some countries in Latin America and the Caribbean could pave the way for export and production diversification that, in turn, could enable the transfer of resources from the traditional sectors hardest hit by the fall in international prices, to others that have benefited from movements in real exchange rates.

However, empirical evidence available for 1990-2016 indicates that the correlation between real effective exchange rates and GDP is not generally significant, except in the group of agricultural exporters. Neither is there any evidence of a positive and statistically significant correlation between variation in exports and real exchange rates, except in the hydrocarbon exporters group (see table IV.1).

This outcome could be explained by the fact that changes in relative prices expressed in a common currency may not be large enough to cause a significant variation in export performance. According to the literature, this can be explained by four factors: the fact that price changes adjust to changes in nominal exchange rates, highly-competitive markets, oligopolistic market structures and wage negotiation mechanisms at national levels (McCombie and Thirlwall, 1994).

B. Private consumption expansion as the basis for growth

Private consumption has traditionally been considered to be dependent on income and on other income-related factors, such as wealth. In this sense, private consumption can hardly be a determinant of economic growth insofar as it can rise only if income and wealth do.

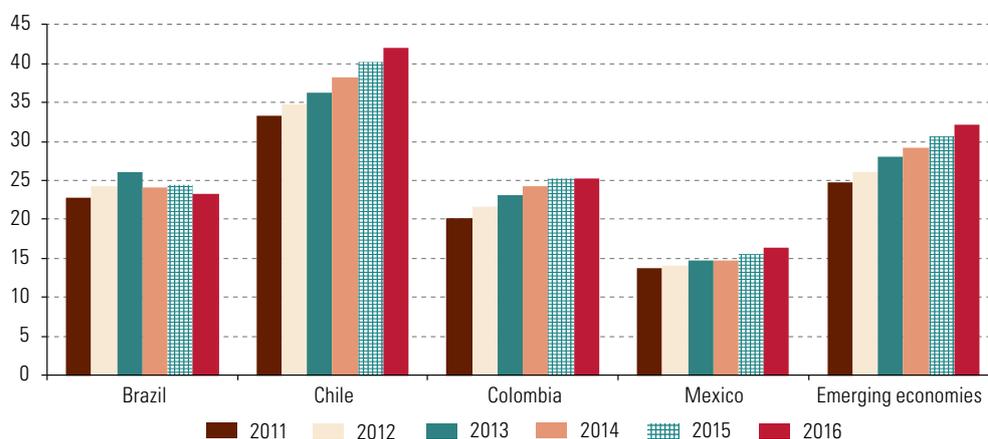
However, by allowing households to borrow beyond their level of income—and in some cases in spite of their shrinking income—the financial system has, up to a point, decoupled consumption from income. The role played by the financial system and the possibility of borrowing have made consumption into a partially autonomous component of demand and thus a factor capable of driving economic growth.³

Nevertheless, this type of strategy has an important limitation as, above certain levels, indebtedness can impose a financial burden on households that is disproportionate to their income and generate unsustainable conditions over time.

Evidence available for Brazil, Chile and Colombia signals an overall increase in the financial burden of households for 2006-2016 and a clear increase in household credit as a percentage of GDP for 2011-2016. The latter trend coincides with the average pattern in emerging economies worldwide (see figures IV.1 and IV.2).

Between 2006 and 2016, the financial burden of households grew in Brazil from 17.4% to 21.3% of GDP and in Chile from 12.9% to 15.4%; in Colombia it increased from 21.2% in 2010 to 22.0% in 2014; and in Mexico from 7.5% in 2006 to 8.0% in 2014. Between 2011 and 2014, loans to households as a percentage of GDP grew at an even sharper rate, from 22.8% to 23.4% in Brazil, from 33.3% to 40.2% in Chile, from 20.1% to 25.2% in Colombia and from 13.7% to 15.5% in Mexico. The Bank for International Settlements (BIS) also reported an increase from 24.7% to 31.8% of GDP in the same period for emerging economies overall.

Figure IV.1
Latin America (selected countries): household debt, 2011-2016
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), Global Liquidity Indicators [online] <http://www.bis.org/statistics/gli.htm>.

³ See chapter III.

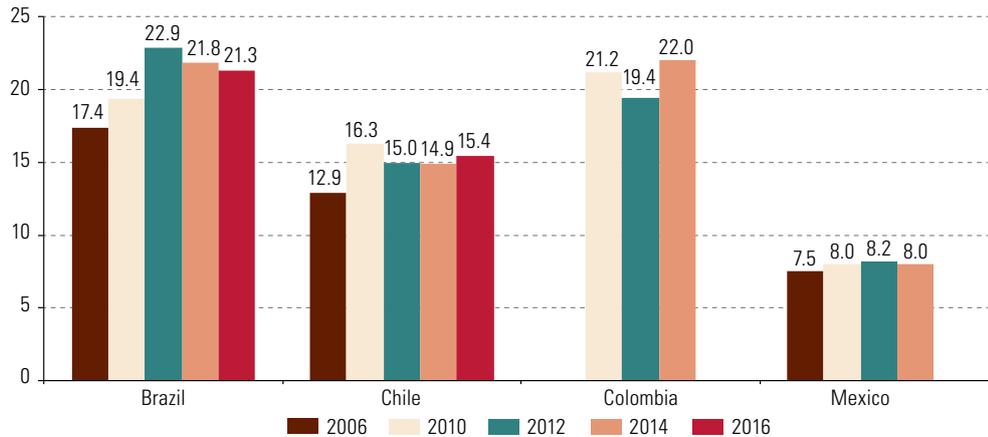


Figure IV.2
Latin America (selected countries): average financial burden of households, 2006–2016 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the central banks of each country.

When households are grouped by income level in the poorest 80% (deciles I to VIII) and the richest 20% (deciles IX and X) for the same countries, in all except Brazil the first group of households has a debt burden as high as the second—if not higher (see figure IV.3). In Chile⁴ and Colombia, the financial burden of households in the lower-income bracket stands at 25.1% and 25.3%, respectively, while the burden in the higher-income group stands at 18.7% and 21.7%, respectively. In Mexico, the financial burden is practically the same for both groups (8%).

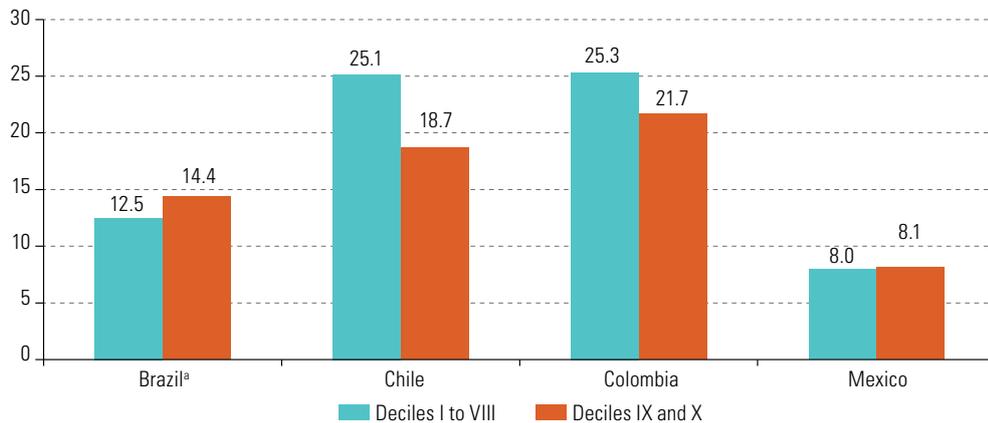


Figure IV.3
Latin America (selected countries): financial burden of households, by income levels, 2014^a (Percentages of monthly household income)

Source: Brazil, International Monetary Fund (IMF), on the basis of Family Budgets Survey 2008/2009, 2013; Chile, Central Bank of Chile, *Household Finances Survey 2014: main results*, Santiago, 2015; Colombia, Banco de la República, *Special report on financial stability. Financial burden*, Bogota and National Administrative Department of Statistics (DANE) 2014; Mexico, BBVA Research, on the basis of Household Income and Spending Survey, 2014 and *Situación banca México*, January 2016.

^a Figures for Brazil refer to 2008.

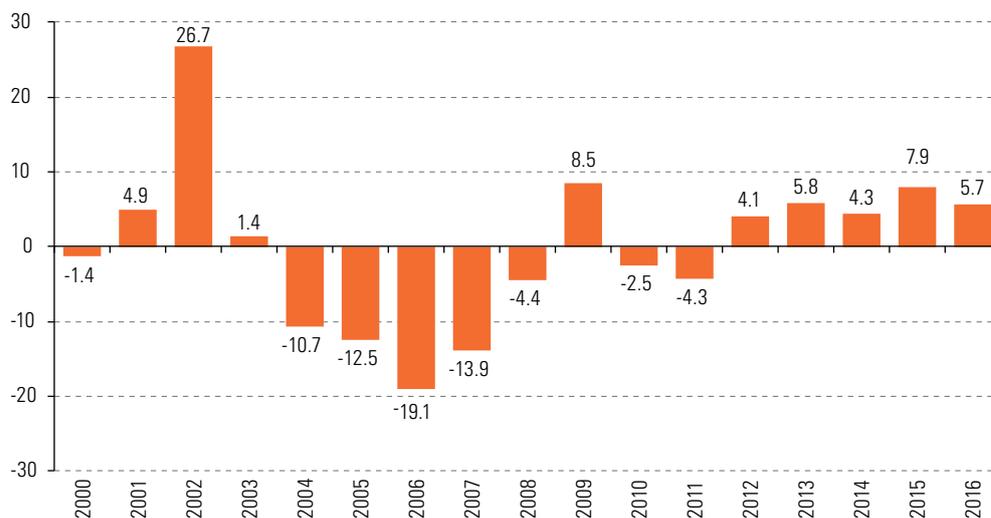
Higher debt levels can hardly be considered an engine for economic expansion in a context of subdued economic growth. Furthermore, the fact that households with lower income levels bear the largest debt burdens limits the expansionary effect that greater levels of financial penetration could have in these sectors—where credit deepening could be considered a possibility without risking their ability to service the debt.

⁴ Chile provides more detailed information through its central bank's Survey of Household Finances 2014, which reports that households belonging to the five poorest deciles represent 14% of total consumer debt, in spite of advanced debt penetration in the country, and that 58% of households belonging to those five deciles have taken on some form of consumer debt. Based on these figures, three fifths of the poorest 50% of households are in debt, with financial burdens that represent a quarter of their monthly income. Overall, this debt represents less than 15% of Chile's total consumer debt.

C. Trends in public spending

Public spending is another component of demand that can have an impact on growth. In 2009-2016 the public debt of the central government and of the central non-financial public sector increased at the regional and subregional levels, showing an upward trend since 2012 consistent with the rise in the average fiscal deficit in the region (see figure IV.4). However, after growing significantly in 2015, public debt slowed in 2016 and is expected to continue doing so in 2017 (see chapter I).

Figure IV.4
Latin America (average for 19 countries):
year-on-year variation in gross public debt of the non-financial public sector, as a share of output, 2000-2016
(Percentages)



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

Public spending patterns are very uneven from one country to another, reflecting their different economic situations and the fiscal consolidation measures they have adopted to safeguard the sustainability of their public accounts in the medium-term. As illustrated in figure IV.5, the average public debt of the non-financial public sector in Latin American countries stood at 40.6% of GDP in 2016, with above-average levels in eight countries: Argentina, Brazil, Colombia, Costa Rica, El Salvador, Honduras, Mexico and Uruguay. Among these, the weight of public debt in Brazil, Colombia, Costa Rica and Mexico continued growing between 2015 and 2016. In contrast, public debt levels remained relatively steady in Argentina, El Salvador and Honduras, whose debt grew by less than one point of output, and in Uruguay, where public debt fell from 52.5% to 51.3% of GDP.

In the Caribbean, the public debt remains very burdensome, although it has been falling in recent years. Between 2015 and 2016, the average public debt of the non-financial public sector of the Caribbean countries edged down by 0.2 points of GDP from 79.4% to 79.2% (see figure IV.6). However, some countries experienced above-average declines in that period: Dominica (-6.9 points of GDP), Grenada (-5.6 points) and Saint Kitts and Nevis (-4.9 points). In turn, the weight of public debt increased significantly in Belize (10.3 points of GDP), Suriname (4.4 points) and Saint Lucia (3.4 points).

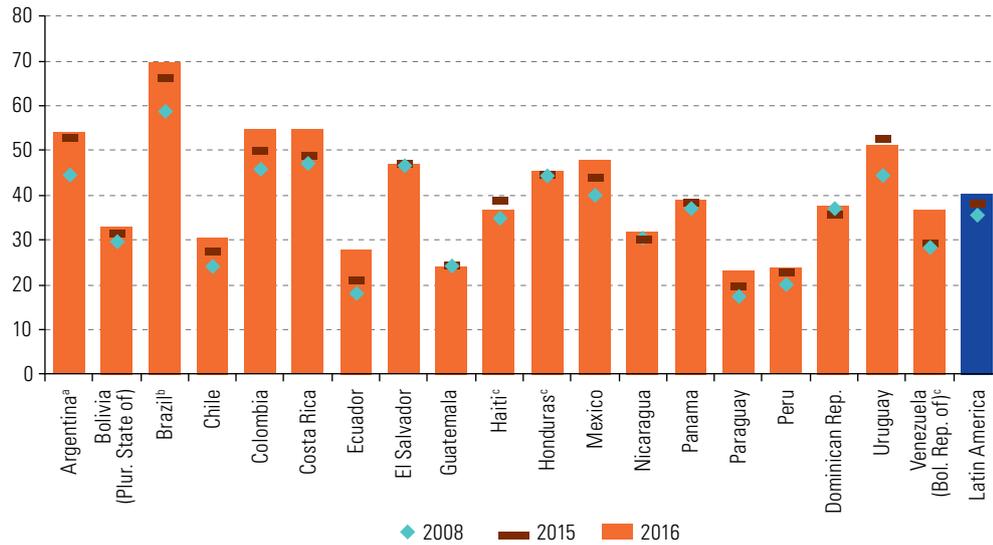


Figure IV.5
Latin America
(19 countries): gross public debt of the non-financial public sector, 2008, 2015 and 2016
(Percentages of GDP)

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

^a National non-financial public sector.

^b General government.

^c Central government.

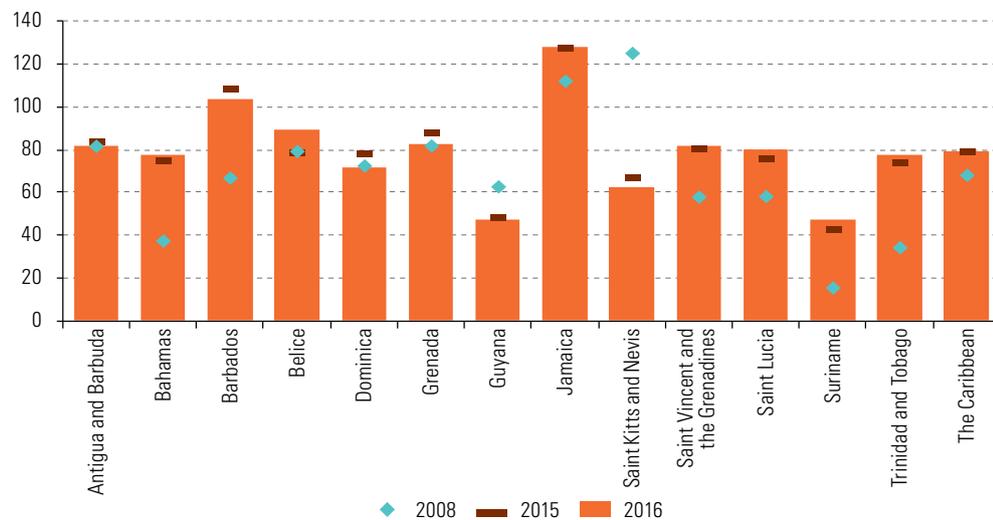


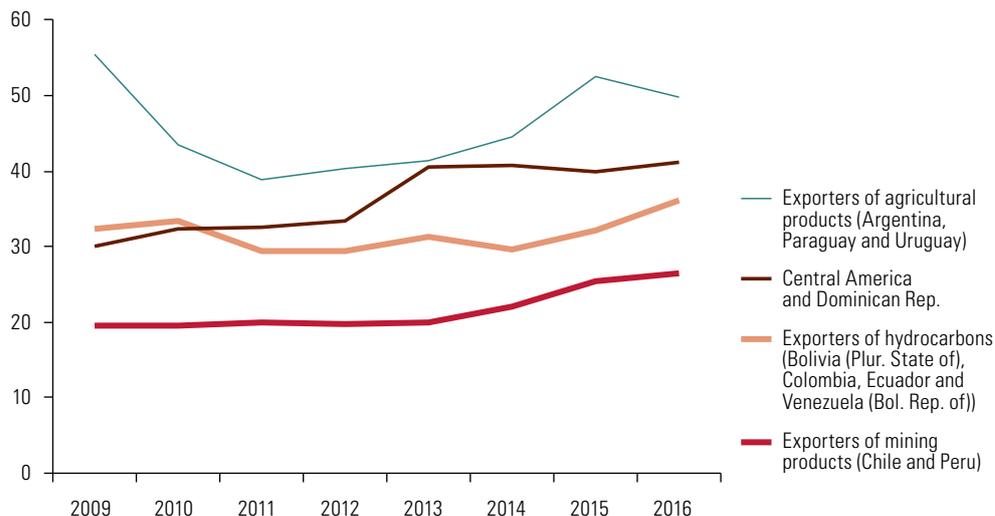
Figure IV.6
The Caribbean
(13 countries): gross public debt of the non-financial public sector, 2008, 2015 and 2016
(Percentages of GDP)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, 2017.

The public debt of the non-financial public sector, considered by type of production structure in different countries, grew for all subgroups (exporters of hydrocarbons, agricultural products and mining products and the group comprising Central America and the Dominican Republic). However, the data show clear heterogeneity among these subgroups (see figure IV.7).

Figure IV.7

Latin America (selected country groupings): debt of the non-financial public sector, by type of production structure, 2009-2016
(Percentages of GDP)



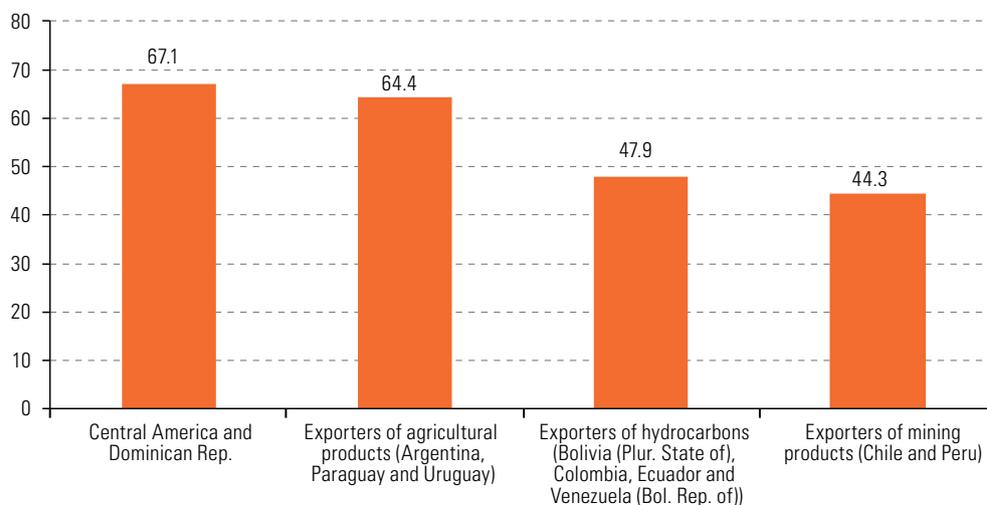
Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database.

Exporters of agricultural products and the group comprising Central America and the Dominican Republic recorded the highest levels of public debt (50% and 41% of GDP, respectively, in 2016), although their indebtedness grew at a slower pace than the rest. In turn, exporters of hydrocarbons and mining products had the lowest levels of public debt (36% and 26% of GDP, respectively, in 2016), but show a greater propensity to borrow.

Similar results can be seen by breaking down domestic and external debt. The external debt of the group comprising Central America and the Dominican Republic, and of agricultural exporters, represented a higher proportion of total debt (67.1% and 64.4%, respectively, in 2016), while the external debt of hydrocarbon and mining exporters represented a lower proportion of total debt (47.9% and 44.3%, respectively) (see figure IV.8).

Figure IV.8

Latin America (selected country groupings): external debt of the non-financial public sector as a share of total sector debt, by type of production structure, 2016
(Percentages)



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

Analysis of the impact of public debt levels and of public debt stock on economic growth is crucial for designing policies to balance out the costs and benefits of fiscal expansions. There is a consensus among economists and policymakers that continuous public debt accumulation has a negative effect both on medium- and long-run economic growth and on levels of well-being.

In this regard, the literature traditionally identifies transmission mechanisms such as greater uncertainty, increasing borrowing costs, expectation of higher taxes in the future, crowding out of private investment and the impact of excess borrowing on rates of return.

Aside from size, the domestic and external composition of public debt is another factor that can determine its impact on economic growth. A higher proportion of external relative to domestic debt can push up the cost of foreign borrowing owing to greater risk perceptions by foreign investors.⁵ This increased risk perception can in fact generate an external financial constraint that is equivalent to making the external constraint more binding.⁶ Obviously, in this case the composition of debt also affects its level, bringing into play the transmission mechanisms mentioned in the previous paragraph.

A country's production structure is another element that can compound the impact of debt on economic growth. Poor diversification, a high degree of concentration in certain enclaves with limited spillovers to the rest of the economy and a large informal sector are factors that can also make an economy more vulnerable to the negative effects of debt on economic growth.⁷

In extreme cases, as has occurred in certain Caribbean economies, the steady build-up of public debt can weaken public policy. Management and administration of public debt can become one of the overriding tasks of a government in certain cases, relegating other objectives, such as the provision of public goods, to second place.

Despite the consensus on the negative effect of continuous public debt accumulation on economic growth, there is no explicit agreement on the debt thresholds over which economic growth is actually compromised; in fact, there are two opposing views. The first maintains that the threshold is around 90%-100% of GDP for developed economies and approximately 60% of GDP for developing countries; above these levels the correlation between public debt and economic growth turns negative.⁸ The second view argues that debt cumulative is endogenous to economic growth and that stimulating economic growth is more important than drastically reducing the fiscal deficit by means of austerity measures.

In any case, rather than focusing simply on the level of public debt, which is ultimately a static approach unsuited to a context of economic growth, it is important to consider its trajectory. In fact, the empirical evidence suggests that the trajectory of debt can be at least as important as the actual level of debt in terms of understanding the future growth outlook.⁹ The evidence indicates that countries whose debt levels are high but falling tend to grow as fast as countries with lower debt levels.¹⁰

⁵ These risk perceptions may depend on different factors, and may be unjustified

⁶ The notion of external constraint refers to the fact that a country's performance in overseas markets, and the response of global financial markets to this performance, constrains its economy to a lower growth rate than that warranted by its domestic conditions (McCombie and Thirlwall, 1999, p. 49).

⁷ See Blavy (2006).

⁸ See Reinhart and Rogoff (2010, 2012), Checherita-Westphal and Rother (2012), and Chudik and others (2015).

⁹ See Pescatori, Sandri and Simon (2014).

¹⁰ Ibid.

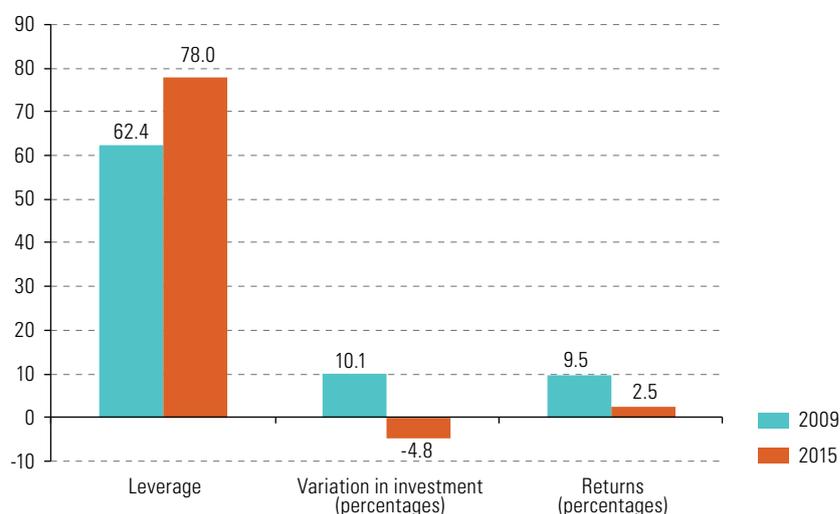
D. Status of the non-financial corporate sector and investment dynamics

Similarly to households and the public sector, as explained in chapter III, the non-financial corporate sector has also increased its borrowing. A sample of 5,663 companies in the non-financial corporate sector from 35 sectors of six of Latin America's largest economies —Argentina, Brazil, Chile, Colombia, Mexico and Peru—¹¹ shows that 81% of these sectors experienced higher leveraging.

These higher leverage levels were matched by lower returns on equity (ROE) in 67% of all sectors surveyed, among which ROE declined most in those linked to natural resources —energy, metals and minerals—, capital goods and retail, and to a lesser extent those linked to food production, construction and materials, and the automobile sector. In addition, as mentioned in chapter I, the performance of the non-financial corporate sector also reflects a drop in spending on both fixed assets and long-term capital.

As seen in figure IV.9, between 2009 and 2015 average leverage increased from 62.4 to 78.0, while returns fell from 9.5% to 2.5%. In turn, spending on fixed assets and long-term investment went from growing 10.1% to contracting by -4.8%.

Figure IV.9
Latin America (selected countries): leverage, returns and investment growth rates in the non-financial corporate sector, 2009 and 2015



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg, 2017.

Note: leverage is determined as the ratio between assets and equity, returns are represented by return on equity and investment refers to expenditures on fixed assets and long-term investment. Data refer to a sample of 5,663 companies in the non-financial corporate sector in Argentina, Brazil, Chile, Colombia, Mexico and Peru, covering 35 sectors of economic activity.

Against a backdrop of higher corporate borrowing, a drop in returns implies rising financing costs and weaker capacity to meet obligations. Typical responses are to adjust production levels and capital spending (i.e. lower investment), which can have macroeconomic repercussions when it involves a large enough group of companies to affect value added generation and gross fixed capital formation. This is precisely what the empirical evidence shows; for companies in the sample, total assets represent on average 64% of GDP, while spending on fixed assets and long-term investment represents on average 35% of GDP (see figure IV.10).

¹¹ Excluding the Bolivarian Republic of Venezuela.



Figure IV.10
Latin America (selected countries): total assets and spending on fixed assets and long-term investment of the non-financial corporate sector as a share of GDP, 2015 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg, (2017).

This situation can be further compounded if companies opt for external funding (i.e. issuing bonds on the international markets), as they can face unfavourable fluctuations in exchange rates or in the prices of their exported products (for example, in commodity prices), as occurred in some Latin American countries. A commodities exporter that borrows overseas using the commodities it produces and exports as collateral risks not only lower income, but also the erosion of its asset base. This can increase the company's default risk, reinforce its decision to cut production and, consequently, limit its investment projects.

Only 3.7% of companies in the sample considered here issued debt in the international bond market. However, their share of total assets, and of fixed-asset spending and long-term investment, is quite high (39.3% and 48.2% of the total, respectively, in 2015) (see figure IV.11).

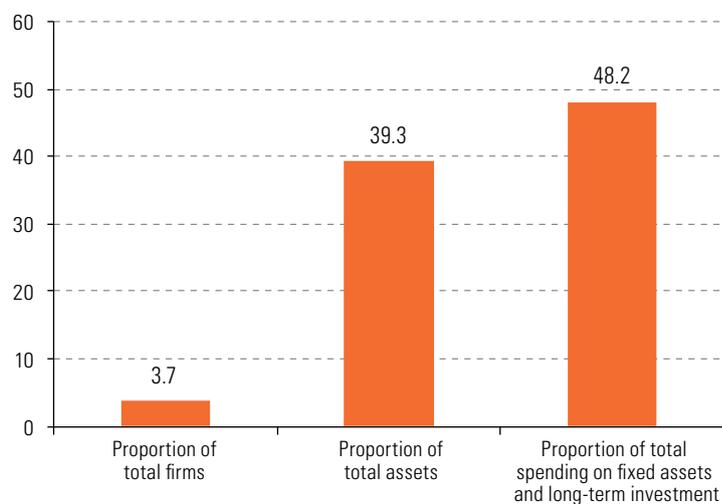


Figure IV.11
Latin America (selected countries): non-financial firms that issued debt in international bond markets, as a share of total firms, of total assets, and of total spending on fixed-assets and long-term investment, 2015 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg, 2016.

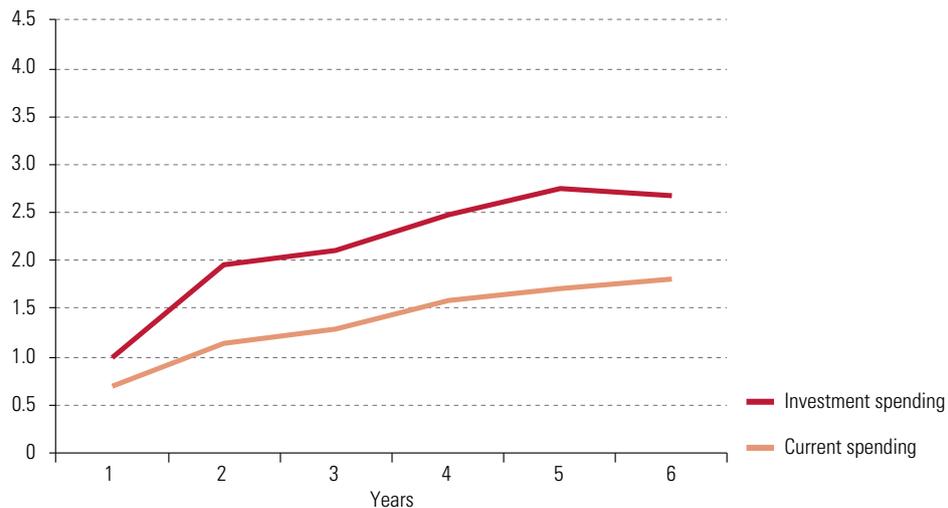
E. Fiscal policy in the current cycle

With regard to fiscal policy, the “new normal” poses considerable challenges, especially considering the current state of the fiscal accounts in several countries of the region. In general, the countries of the region have yet to recover the fiscal space that they—successfully—employed to offset the impact of the global financial and economic crisis of 2008-2009. In spite of a relatively moderate public debt burden, especially in Latin America, existing fiscal rules demand the implementation of measures to regain the fiscal space used so as to ensure the medium-term sustainability of public accounts.

However, the ways in which this fiscal space can be recovered are not neutral in terms of their impact on growth, be it in the short or the medium term. Traditionally, fiscal adjustments have consisted mainly of cuts to public investment and maintenance spending, which tend to erode rather than increase the public sector’s net worth. From the 1990s onwards, several countries in the region adopted fiscal rules that helped to control their deficits and cut their public debt, but in general the measures adopted have neglected capital expenditures.

There is ample evidence that points to the importance of protecting public investment when implementing fiscal rules, as it represents a significant boost to economic growth in the medium term. Riera-Crichton, Vegh and Vuletin (2015a) estimated the cumulative effects of public spending variations on the output of 16 Latin American countries, with results showing that the cumulative multiplier of investment spending is significantly higher than that of consumption. A one unit increase in investment spending has an immediate impact of approximately 1.0, while the multiplier effect of the same increase in current expenditure is close to 0.7 (see figure IV.12).

Figure IV.12
Latin America:
cumulative multipliers,
by type of spending,
1990-2014



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of D. Riera-Crichton, C. A. Vegh and G. Vuletin, “Fiscal multipliers in Latin America”, 2015, unpublished.

Note: Multipliers are estimated for both current and capital spending, using a panel model with annual data for 16 countries, from 1990 to 2014.

Results also show that in spite of public spending in Latin America having a smaller short-term impact, its effects persist and increase significantly over time. For example, after two years, cumulative multipliers for current spending and investment reach values of 1.3 and 2.0, respectively. However, outcomes vary significantly from one country to another, which highlights the importance of considering other factors—public debt and

income levels, exchange-rate flexibility and the degree of openness of an economy—when analysing the impact of public spending in a particular country (Mendoza, Vegh and Ilzetzki, 2009; Contreras and Battelle, 2014).

The results also point to a greater impact of public spending multipliers during a recession or slowdown, as economies do not respond symmetrically to increases or declines in public spending (Riera-Crichton, Vegh and Vuletin, 2015b). Countercyclical fiscal policy has a greater positive effect (i.e. the estimated multiplier is even higher) in these phases of the cycle, while procyclical policies tend to be harmful to the economy. Unfortunately, prevailing rules tend to focus more on restricting debt, balances and spending (see table IV.3), and much less on the investment needed to achieve inclusive growth. Similarly, rules do not link fiscal performance with the economic cycle, with certain exceptions, such as Chile.

A clear separation between the treatment given to investment spending and current spending eliminates the bias against investment when public spending is adjusted and promotes equal treatment of generations by ensuring that current spending is financed by the generation who actually enjoys it. A general formula to protect or stimulate public investment consists in adopting a structural macrofiscal rule which smoothes out as much as possible the damaging boom and bust cycles of public spending in general, and of capital spending in particular. Ultimately, a suitable mix of rules adapted to the macroeconomic context and a certain degree of discretionality are the best recipe to achieve an appropriate balance between current spending and investment, borrowing and public balance.

Beyond fiscal rules, the experience of the past decade suggests that it is important to strengthen other aspects of the region's countercyclical fiscal policy framework both at the central government level and, for more decentralized countries, at the subnational government level. In terms of public revenues, weak income tax collection reduces the automatic stabilizer effect of the tax system during the cycle. Of note, higher income tax collection (especially of personal income tax) and increased wealth tax receipts could also improve income distribution, which is an extremely important goal in a region as unequal as Latin America.

Underdevelopment of social protection networks is another issue of concern in Latin America, especially with regard to those segments of the population most affected by the economic cycle. In particular, social protection floors should be strengthened—including by means of measures to protect household income against unemployment—as an instrument to reduce the high volatility of consumption and, hence, of domestic demand in the region (ECLAC, 2010). The International Labour Organization (ILO) estimates that only 37.6% of workers in Latin America and the Caribbean are covered by unemployment protection programmes, in stark contrast to Western Europe (80.3%) and North America (86.6%) (ILO, 2014). Thus, broadening social protection networks in the region is not only a moral obligation; it is also necessary to strengthen the automatic stabilizers within the overall fiscal policy framework.

Table IV.3
Latin America and the Caribbean (selected countries): fiscal rules, 2017

Country	Spending	Balance	Debt	Escape clause	Preferential treatment for investment	Subnational governments	Main changes after 2008-2009	Recent changes (2014 to March 2017)
Argentina	Primary spending may not exceed projected nominal GDP growth		Provincial governments: debt service must not exceed 15% of net current transfers through municipal revenue-sharing		Current spending may not be financed with debt or the proceeds of sales of fixed assets	Borrowing limit: 15% rule and Financial Assistance Programmes (2005)	The ban on financing current spending from borrowing or the proceeds of sales of fixed assets was lifted, as was the ceiling on subnational borrowing	Under Law 27341 the following provisions are suspended: the prohibition of financing current spending with proceeds from fixed assets sales and borrowing; the prohibition of increasing spending without guaranteed funding; the 15% limit on debt servicing; and the prohibition of including amortization of debt not accrued in previous periods in budgets
Brazil	Staff expenditures may not exceed certain ceilings, depending on the level of government	Income and spending must be balanced. Governments are under the obligation to establish annual fiscal targets for the following three years (Budget Guidelines Laws)	Subnational governments may not issue debt without authorization from the Ministry of Finance, subject to a debt ceiling approved by the Senate	These limits can be flexible in the event of economic contraction (1%), a catastrophe or a state of emergency	Any volume of investment may be financed through borrowing, with the sole restriction referring to the current account balance	The federal government is empowered to withhold transfers in case of non-compliance	Fiscal transparency provisions and changes to annual targets published in the Budget Guidelines Laws	As from 2018, federal spending will increase based on cumulative inflation according to the national consumer price index. Expansion of spending is restricted for 20 years
Chile		Structural surplus of 1%, which may be amended by decree		Targets may be amended by decree, providing that the variables substantiating the change are made explicit				The structural balance has been made more flexible: in 2014 the target was changed twice, first to 0% for 2018 and later to 0.25% of GDP for each year (2016-2018)
Colombia	Countercyclical spending is allowed when real economic growth in any given year is estimated to be 2% below the real long-term growth rate, providing that a negative output gap is also projected. Spending must not exceed 20% of the estimated gap	The structural deficit of the national central government may not exceed 1% of GDP starting in 2022		Rule on non-recurrent events that compromise macroeconomic stability is suspended by agreement with the Supreme Council on Fiscal Policy (CONFIS)			The rule was created in 2011	

Table IV.3 (continued)

Country	Spending	Balance	Debt	Escape clause	Preferential treatment for investment	Subnational governments	Main changes after 2008-2009	Recent changes (2014 to March 2017)
Costa Rica		Balance between income, spending and financing sources			Current spending cannot be financed with capital inflows	Coverage includes all State powers, the decentralized administration, State universities, municipalities and the Costa Rican Social Security Fund		In May 2016, the fiscal responsibility bill was submitted to the legislative assembly, proposing a fiscal rule that limits current spending growth in observance of the central government debt/GDP ratio. The rule is designed so that the restriction on current spending growth increases as the debt ratio rises
Ecuador		Regular outlays to be financed from regular income only	The debt ceiling is set at 40% of GDP	Rules on spending and debt have constitutional exceptions in relation to education, health and justice, and exceptions are also made for states of emergency declared by the President	Borrowing can be used to finance programmes, investment projects and infrastructure, among other things	Decentralized autonomous governments may not borrow more than 200% of their total annual income and payments on debt service must not exceed 25% of total annual income net of borrowing	The Code was adopted in 2010	Under Executive Decree 1218, published in October 2016, an addition to the code was made whereby the calculation of the public debt balance (which must be lower than 40% of GDP) would be based on the consolidated statement of public debt in each fiscal year
Jamaica	Quantitative targets are set to reduce expenditure on wages and salaries	Quantitative targets are set to reduce the deficit	Quantitative targets are set to reduce the debt	The targets can be breached in the event of contingencies relating to national security or a national emergency that has a strong impact on the economy			The Fiscal Responsibility Framework was adopted in 2010	Fiscal targets were changed in 2014 as follows: fiscal deficit levels should comply with debt limits, public debt should be 60% of GDP by 2026 and the public wage bill should be cut to 9% of GDP by 31 March 2016
Honduras	The annual increase in nominal current spending of the central government cannot exceed the annual average of real GDP growth of the last 10 years, plus the forecasted average inflation for the next year	Overall annual deficit of 1% of GDP	After adoption of the law, the new floating debt at the end of the year may not exceed 0.5% of GDP in nominal terms in any case	Exceptions to rules in the case of a declared national emergency (natural catastrophes that cause damages equal to or greater than 1% of GDP)				Created in 2016

Table IV.3 (concluded)

Country	Spending	Balance	Debt	Escape clause	Preferential treatment for investment	Subnational governments	Main changes after 2008-2009	Recent changes (2014 to March 2017)
Mexico	Total net expenditure must contribute to budgetary balance	Income and spending levels should contribute to meeting the annual target of the public sector's financing requirements	The Federal Public Debt Act specifies measures for contracting debt by the federal government	A deficit is permissible in the event of economic and social conditions that impoverish the country	Guaranteed borrowing only for financing investment projects or production activities	Financial Discipline for States and Municipalities Act, to ensure spending contributes to a sustainable budgetary balance, and to limit borrowing	The new law was adopted in 2012, and modifies provisions of Law 34 of 2008	New provisions added to the public sector's financing requirements in 2014, and enactment of the Financial Discipline for States and Municipalities Act
Panama		The adjusted balance of the non-financial public sector may not exceed 0.5% per year	An indicative target is set whereby the balance of the net public debt of the non-financial public sector is reduced to a level not exceeding 40% of nominal GDP over a seven-year period (2008)	In situations of natural disasters, national emergencies, or when real GDP growth is 1% or less, a request can be made to waive application of the financial limits				
Paraguay	The increase in primary current spending may not exceed the year-on-year inflation rate plus 4%	The fiscal deficit may not exceed 1.5% of GDP		Restrictions on primary current spending and deficit can be lifted in situations of national emergency or crises		The sphere of application of the law includes local governments and self-autonomous and self-sufficient entities	The Law came into force in 2013	
Peru	Non-financial public expenditure may not exceed the level specified by decree, in respect of the established structural fiscal result; limits are also set on personnel expenditure and for electoral periods	The structural fiscal balance of the non-financial public sector may not incur a deficit of more than 1% of GDP	Borrowing limits for regional and local governments	The expenditure limits can be altered if national government non-financial expenditure accrued in the previous year is less than the limit set for that year, and a reduction in the GDP gap equivalent to at least 2% of potential GDP is projected	Exceptions for limits on spending and borrowing by regional and local governments in the case of expenditures on public investment projects	The debt balance must not exceed 100% of current income and spending changes may not exceed the percentage variation of the four-year moving average of annual income	The bill was drafted in 2013	The Fiscal Transparency and Accountability Framework of Regional and Local Governments was created by legislative decree, under which the ratio between the average of total debt and the average of total current income of the last four years may not be lower than 100%
Uruguay			Limits on borrowing in indexed units (Law No. 17947)	The Executive branch may exceed the maximum amount, by up to 50% in the year determined by the Law, under extraordinary circumstances. The General Assembly must be informed				Changes regarding the indexed amounts for fiscal year 2015

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

F. Financial policy in the current cycle

Short- and long-term growth dynamics are not only related to the evolution of real variables such as productivity and investment, but are also driven by the behaviour of credit and by financial stability considerations. Financial factors, especially the behaviour of credit, play a key role in explaining the fragility of economic expansions and their impact on long-term growth.

The importance of the financial channel is underscored by the fact that fluctuations in aggregate demand and in real activity tend to be amplified by the financial sector. Figure IV.13 estimates aggregate demand for a selection of Latin American countries, calculated as GDP plus the change in debt (see box IV.1). As the figure shows, aggregate demand in all countries trends above GDP in the current cycle (at varying levels of intensity), thus indicating that current demand in these countries is, to a great extent, a reflection more of financial phenomena (credit) than of the conditions of real production. The implication is that the cycle of aggregate demand could become dependent on the cycle of credit and, just as an expansionary phase of the credit cycle can boost real activity growth, it is conceivable that the opposite can happen in a contractionary phase of the credit cycle. Furthermore, the higher the level of debt, the greater the contractionary effect of a credit squeeze.

Traditionally, aggregate demand is calculated by adding the purchases of goods and services made by the different production sectors of the economy, but this does not take into account the relationship between expenditures by these sectors and the financial sector. In other words, the traditional methodology for calculating demand disregards an effect that nonetheless can be built back in if credit is added to the accounting of aggregate demand, resulting in what is known as total monetary demand.

From the perspective of aggregate demand, it is understood that expenditures between production sectors are equivalent to their aggregated incomes; however, there are also credit relationships among sectors and between private sectors and the financial sector. Accordingly, adding credit to aggregate demand allows for the accounting of debt flows that also become the expenditures and incomes of the different production sectors and of the financial sector; the value of credit received by private sectors allows them to perform transactions with each other, in turn generating income for the financial sector that will also be spent in the private sectors.

Total monetary demand can be estimated by using the Bank for International Settlements (BIS) database on total credit, from which the value of credit can be estimated as the annual change in debt owed by the private sector to all sectors of the economy. Total monetary demand can thus be obtained by adding the change in the value of credit to GDP. BIS databases provide this information in the local currency of each country, which allows total monetary demand to be measured for each economy. The database also includes the value of total debt as a percentage of GDP.

Source: S. Keen, "Discussing Can we avoid another financial crisis?" World Economics Association Newsletters, June 2017 [online] <https://www.worldeconomicassociation.org/newsletterarticles/another-financial-crisis/>.

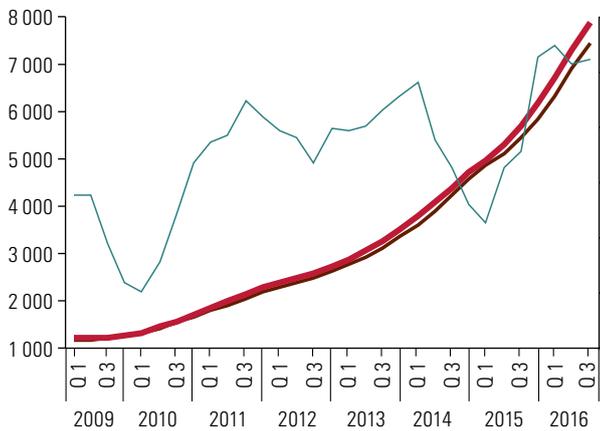
Box IV.1
Methodology for
calculating total
aggregate demand

Figure IV.13

Latin America (selected countries): GDP, aggregate demand (credit+GDP) and credit/GDP, first quarter of 2009–third quarter of 2016

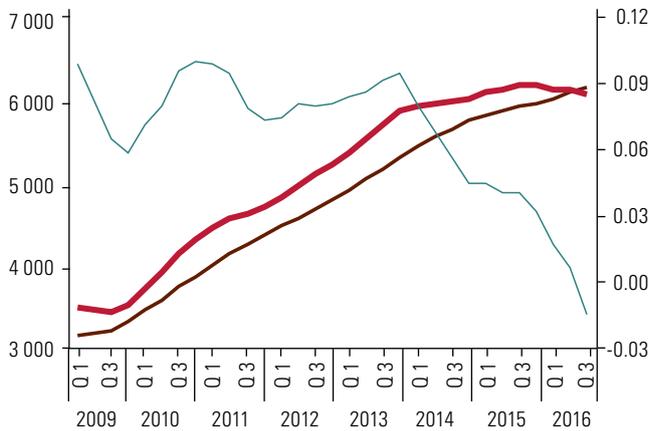
A. Argentina

(Billions of Argentine pesos)



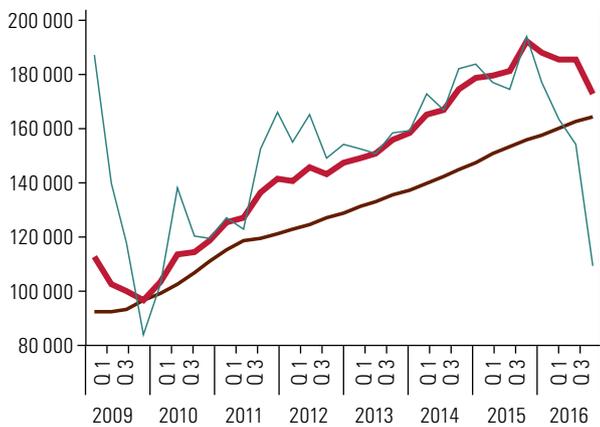
B. Brazil

(Billions of reais)



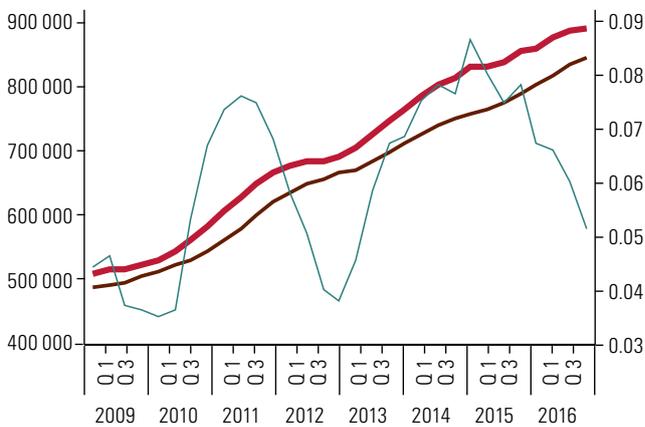
C. Chile

(Billions of Chilean pesos)



D. Colombia

(Billions of Colombian pesos)



E. Mexico

(Billions of Mexican pesos)



— Credit/GDP (right scale) — Credit+GDP — GDP

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

These relationships explain why cyclical credit expansions and contractions are larger and last longer than those of GDP, and why the contractionary phase of the credit cycle is more intense and lasts longer than the expansionary phase in Latin American countries.

On the one hand, the data do in fact show credit expansions more intense, on average, and lasting longer than GDP expansions. On average, credit expansions last one quarter more, and are 50% larger, than those of GDP. On the other hand, credit contractions tend to be 60% longer than those of GDP and on average they are four times as intense. Consequently, although both expansions and contractions in credit are more intense than those of GDP, the difference is much more evident in the contractionary phases. Compounding this disproportionate response of credit during economic downturns is the fact that credit contractions also last longer.¹²

The role of the financial channel as a transmission mechanism between the cycle and the trend provides a solid argument in favour of regulating the financial system overall—i.e. from a macroprudential perspective—in order to promote long-term growth.

The main objective of macroprudential regulation is to preserve the stability of the financial system on an aggregate level by reducing systemic risks to a minimum. To achieve this, regulation must actively curtail the accumulation of financial risks and of fragile financial structures. This includes preventing the creation of asset and credit bubbles (Minsky, 1982 and 1986).

Such regulation implies monitoring credit expansions and controlling the social and economic costs related to credit squeezes caused by excessive contraction of financial institutions' balance sheets resulting from general shocks (Hanson and others, 2011) or interconnectedness (Shin, 2010).¹³ Monitoring credit behaviour over the cycle implies identifying the linkages between the real economy and the financial sector and, within these, those that lead to financial sector overreactions in the upward and downward phases of the cycle. In this sense, macroprudential policy can be seen as a countercyclical instrument for managing not only the level of aggregate demand but also its composition, that is, to address the sectoral sources that contribute to the expansion or contraction of global demand.

¹² For the relationship between the credit and financial cycles, and trend GDP growth, see Borio (2012) and Drehman, Borio and Tsatsaronis (2012).

¹³ Macroprudential regulation must be seen as a complement to microprudential regulation, the scope of which is limited to each financial institution separately. The rules of international financial regulation are issued by the Basel Committee on Banking Supervision, whose approach to regulation focuses on the capital requirements of each financial institution. These requirements were initially established in the Basel I accord (1998), which was revised in 2004 and gave way to the New Basel Capital Accord or Basel II. Recently, in response to the global financial crisis, a new accord on capital requirements was established, known as Basel III. According to the Committee, Basel III implementation would begin in 2016 and enter into full force by 2019. In contrast with Basel I and Basel II, Basel III incorporates certain macroprudential requirements, including a countercyclical capital buffer which would be activated when credit expands above a given threshold compared with its long-term trend. However, it should be recalled that the countercyclical buffer is based on a boom and bust rationale according to which credit crises are a direct consequence of credit booms.

Such a financial policy could be supported by a monetary policy that promotes investment. Monetary policy is undoubtedly a key pillar of aggregate demand management in the economic cycle,¹⁴ although the high degree of financial openness in the region has meant that not every country has been able to flexibilize and broaden its countercyclical monetary policy action. Furthermore, countries that have moved in this direction have not always been able to transfer the benefits of greater monetary policy flexibility to the financial sector or to the real economy.¹⁵

¹⁴ To explain the traditional argument in favour of monetary policy, Blinder (2006) states that today's conventional wisdom holds that discretionary changes in fiscal policy are unlikely to do much good and might even do harm, for three reasons: first, lags in fiscal policy tend to be long, perhaps longer than the duration of a typical recession; second, the most plausible fiscal policy tool (changes in personal income taxes, or transfer payments) is likely to be weakened by its deployment on a temporary basis; and third, an obviously superior stabilization tool—namely, monetary policy—is readily available. According to this viewpoint, fiscal policy has a role to play when monetary policy becomes ineffective, as in Japan in the 1990s, or even with zero-bound interest rates, as in the United States recently. However, in the case of Latin America and in view of the new consensus canon, it is difficult to argue that monetary policy in the region was ineffective in 2009.

¹⁵ This is precisely the case of economies that have adopted inflation targeting regimes, which deploy two essential attributes that are ultimately derived from an interest rate rule: countercyclicality (or leaning against the wind) and "divine coincidence". Countercyclicality refers to the fact that, by managing nominal and real interest rates, monetary authorities tend to compensate for rising (falling) inflation rates with regard to their target levels by reducing (increasing) effective output with regard to the potential or natural output levels. Divine coincidence refers to the fact that by minimizing fluctuations of inflation rates vis-à-vis target levels, the deviations of effective output from potential or natural output are also minimized. In short, taking care of inflation is equal to taking care of growth and employment, and inflation stability implies output stability (i.e. nominal stability is the same as real stability). As from the 1990s, an increasing number of countries in the developed and developing world adopted inflation-targeting regimes. Rather than being based on monetary rules like the monetarist regimes, inflation-targeting can be defined as a strategic monetary policy framework consisting of the announcement of numerical targets for inflation rates, taking into consideration that the main objective of monetary policy is low and stable inflation, together with a firm commitment to transparency and accountability. In the last decade, several countries in Latin America have adopted inflation-targeting regimes, including Brazil (1999), Chile (1999), Colombia (1999), Guatemala (2005), Mexico (1999) and Peru (2002). In addition to these countries, which now have fully fledged inflation-targeting regimes in place, several others are in the process of adopting such a regime (Costa Rica, Dominican Republic, Honduras, Nicaragua and Paraguay).

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Statistical annex

Table A.1
Latin America and the Caribbean: main economic indicators

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
Annual growth rates									
Gross domestic product ^b	4.1	-1.7	6.2	4.5	2.9	2.9	1.1	-0.4	-1.0
Gross domestic product per capita ^b	2.7	-2.9	4.9	3.3	1.7	1.7	0.0	-1.5	-2.1
Consumer prices ^c	7.0	3.5	5.4	5.8	4.9	5.0	6.3	7.9	7.3
Percentages									
Urban open unemployment	8.0	9.1	8.4	7.7	7.2	7.1	6.9	7.3	8.9
Total gross external debt/GDP ^{d e}	28.5	29.6	28.5	26.8	28.5	30.1	32.3	33.7	35.0
Total gross external debt/exports of goods and services ^{d e}	74.0	101.3	96.0	87.7	95.1	99.8	112.3	132.5	143.2
Millions of dollars									
Balance of payments^e									
Current account balance	-38 663	-32 367	-97 421	-116 089	-140 542	-166 523	-188 261	-175 001	...
Exports of goods f.o.b.	903 614	703 782	892 266	1 105 402	1 121 946	1 117 466	1 083 781	924 607	...
Imports of goods f.o.b.	863 705	652 671	847 298	1 041 936	1 088 720	1 118 733	1 105 980	984 648	...
Services trade balance	-33 831	-36 288	-52 142	-67 959	-74 733	-78 958	-77 130	-54 759	...
Income balance	-112 417	-105 568	-153 111	-176 212	-162 659	-150 594	-156 919	-129 903	...
Net current transfers	67 676	58 379	62 863	64 616	63 624	64 295	67 987	69 701	...
Capital and financial balance ^f	80 053	79 441	180 733	222 216	197 432	182 225	225 660	147 668	...
Net foreign direct investment	105 840	73 575	113 396	147 357	152 802	148 511	141 091	135 193	...
Other capital movements	-25 787	5 867	67 337	74 859	44 630	33 713	84 569	12 476	...
Overall balance	41 322	47 031	83 285	106 087	56 844	15 680	37 365	-27 339	...
Variation in reserve assets ^g	-42 033	-50 793	-87 118	-106 354	-57 919	-16 102	-37 809	26 625	...
Other financing	711	3 762	3 833	254	1 081	422	445	714	...
Net transfer of resources	-31 653	-22 365	31 455	46 257	35 854	32 053	69 186	18 480	...
International reserves	512 727	567 444	655 389	773 632	835 905	830 207	857 618	811 907	830 440
Percentages of GDP									
Fiscal sector^h									
Overall balance	-0.4	-2.7	-1.9	-1.4	-1.9	-2.6	-2.8	-2.9	-3.1
Primary balance	1.3	-0.9	-0.3	0.3	-0.2	-0.9	-1.0	-0.9	-1.0
Total revenue	18.4	17.3	18.0	18.2	18.4	18.4	18.2	18.2	18.3
Tax revenue	14.5	14.0	14.3	14.8	15.1	15.2	15.3	15.6	15.7
Total expenditure	18.8	20.0	19.9	19.6	20.4	20.9	21.0	21.1	21.3
Capital expenditure	3.7	3.8	4.0	3.8	4.2	4.2	4.0	3.7	3.7
Central-government public debt ^e	28.5	30.7	29.4	28.8	30.0	31.8	33.0	35.5	37.3
Public debt of the non-financial public-sector ^e	30.6	33.2	32.4	31.0	32.2	34.1	35.6	38.4	40.6

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

^c Weighted average. Does not include the Bolivarian Republic of Venezuela.

^d Based on figures denominated in dollars at current prices.

^e Simple averages for 19 countries. Does not include Cuba.

^f Includes errors and omissions.

^g A minus sign (-) indicates an increase in reserve assets.

^h Coverage corresponds to the central government. Simple averages for 17 countries. Does not include the Bolivarian Republic of Venezuela, Cuba or the Plurinational State of Bolivia.

Table A.2

Latin America and the Caribbean: gross domestic product in millions of dollars

(Current prices)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
Latin America and the Caribbean	4 470 483	4 190 996	5 066 596	5 942 558	6 030 998	6 206 562	6 301 657	4 981 742	4 596 605
Latin America	4 404 025	4 134 983	5 005 797	5 876 819	5 963 155	6 137 937	6 232 935	4 912 086	4 531 932
Argentina	365 645	336 359	426 488	530 158	581 431	613 316	567 050	634 019	545 866
Bolivia (Plurinational State of)	16 674	17 340	19 650	23 963	27 084	30 659	32 996	33 000	33 806
Brazil	1 695 852	1 666 995	2 208 837	2 616 157	2 465 528	2 472 819	2 455 385	1 803 650	1 795 603
Chile	180 473	172 767	218 563	252 014	266 481	278 384	260 990	242 518	247 028
Colombia	243 983	232 901	287 018	335 415	369 660	380 192	378 196	291 520	282 463
Costa Rica	30 610	30 143	37 238	42 305	46 473	49 745	50 656	54 840	57 436
Cuba	60 806	62 079	64 328	68 990	73 141	77 148	80 656	81 659	81 085
Dominican Republic	47 992	48 187	53 753	57 747	60 614	61 966	65 231	68 103	71 584
Ecuador	61 763	62 520	69 555	79 277	87 925	95 130	102 292	100 177	97 802
El Salvador	21 431	20 661	21 418	23 139	23 814	24 351	25 054	26 052	26 797
Guatemala	39 136	37 734	41 338	47 655	50 388	53 851	58 722	63 767	68 763
Haiti	6 408	6 502	6 708	7 474	7 820	8 387	8 661	8 355	7 647
Honduras	13 882	14 587	15 839	17 731	18 102	18 281	19 274	20 451	20 905
Mexico	1 101 275	893 369	1 049 925	1 169 360	1 184 504	1 258 923	1 295 264	1 149 385	1 046 925
Nicaragua	8 491	8 381	8 741	9 756	10 439	10 875	11 790	12 693	13 173
Panama	24 522	26 594	28 917	34 374	39 955	44 856	49 166	52 132	55 188
Paraguay	18 503	15 934	20 048	25 100	24 595	28 966	30 881	27 283	27 441
Peru	120 612	120 851	147 528	171 762	192 650	201 218	201 047	189 210	...
Uruguay	30 366	31 661	40 285	47 962	51 264	57 531	57 236	53 274	52 420
Venezuela (Bolivarian Republic of)	315 600	329 419	239 620	316 482	381 286	371 339	482 386	...	...
The Caribbean	66 457	56 013	60 799	65 738	67 843	68 625	68 722	69 655	64 673
Antigua and Barbuda	1 360	1 218	1 148	1 142	1 216	1 196	1 274	1 356	1 449
Bahamas	8 247	7 820	7 910	7 890	8 399	8 522	8 618	8 854	8 898
Barbados	4 542	4 602	4 446	4 358	4 314	4 281	4 351	4 304	4 317
Belize	1 369	1 337	1 397	1 487	1 574	1 614	1 706	1 743	...
Dominica	458	489	494	501	486	508	528	517	525
Grenada	826	771	771	779	800	843	912	984	1 016
Guyana	1 923	2 026	2 259	2 577	2 851	2 990	3 086	3 166	3 386
Jamaica	13 709	12 121	13 220	14 440	14 802	14 277	13 898	14 262	13 676
Saint Kitts and Nevis	739	723	705	753	734	788	848	876	917
Saint Lucia	1 187	1 181	1 242	1 281	1 299	1 318	1 386	1 431	1 379
Saint Vincent and the Grenadines	695	675	681	676	693	721	728	738	761
Suriname	3 533	3 875	4 368	4 422	4 980	5 131	5 212	5 156	3 862
Trinidad and Tobago	27 870	19 175	22 158	25 433	25 694	26 436	26 176	26 268	24 487

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

Table A.3

Latin America and the Caribbean: annual growth rates in gross domestic product
(Constant prices)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
Latin America and the Caribbean^b	4.1	-1.7	6.2	4.5	2.9	2.9	1.1	-0.4	-1.0
Latin America	4.1	-1.6	6.3	4.5	2.9	2.9	1.1	-0.4	-1.1
Argentina	4.1	-5.9	10.1	6.0	-1.0	2.4	-2.5	2.6	-2.2
Bolivia (Plurinational State of)	6.1	3.4	4.1	5.2	5.1	6.8	5.5	4.9	4.3
Brazil	5.1	-0.1	7.5	4.0	1.9	3.0	0.5	-3.8	-3.6
Chile	3.7	-1.0	5.8	5.8	5.5	4.0	1.9	2.3	1.6
Colombia	3.5	1.7	4.0	6.6	4.0	4.9	4.4	3.1	2.0
Costa Rica	2.7	-1.0	5.0	4.5	5.2	2.3	3.7	4.7	4.3
Cuba	4.1	1.5	2.4	2.8	3.0	2.8	1.0	4.3	-0.9
Dominican Republic	3.2	0.9	8.3	3.1	2.8	4.7	7.6	7.0	6.6
Ecuador	6.4	0.6	3.5	7.9	5.6	4.9	4.0	0.2	-1.5
El Salvador	1.3	-3.1	1.4	2.2	1.9	1.8	1.4	2.3	2.4
Guatemala	3.3	0.5	2.9	4.2	3.0	3.7	4.2	4.1	3.1
Haiti	0.8	3.1	-5.5	5.5	2.9	4.2	2.8	1.2	1.4
Honduras	4.2	-2.4	3.7	3.8	4.1	2.8	3.1	3.6	3.6
Mexico	1.4	-4.7	5.2	3.9	4.0	1.4	2.2	2.6	2.3
Nicaragua	2.9	-2.8	3.2	6.2	5.6	4.5	4.6	4.9	4.7
Panama	8.6	1.6	5.8	11.8	9.2	6.6	6.1	5.8	4.9
Paraguay	6.4	-4.0	13.1	4.3	-1.2	14.0	4.7	3.0	4.1
Peru	9.1	1.1	8.3	6.3	6.1	5.9	2.4	3.3	3.9
Uruguay	7.2	4.2	7.8	5.2	3.5	4.6	3.2	0.4	1.5
Venezuela (Bolivarian Republic of)	5.3	-3.2	-1.5	4.2	5.6	1.3	-3.9	-5.7	...
The Caribbean	1.4	-3.3	1.4	1.0	1.3	1.6	0.6	0.2	-0.8
Antigua and Barbuda	0.0	-12.0	-7.0	-1.8	3.8	-0.2	4.6	4.1	4.4
Bahamas	-2.3	-4.2	1.5	0.6	3.1	0.0	-0.5	-1.7	0.0
Barbados	0.3	-1.5	0.3	0.8	0.3	-0.1	0.2	1.0	1.6
Belize	3.2	0.8	3.3	2.1	3.7	0.7	4.1	2.9	-0.8
Dominica	7.1	-1.2	0.7	-0.2	-1.1	0.8	4.2	-1.8	0.9
Grenada	0.9	-6.6	-0.5	0.8	-1.2	2.4	7.3	6.2	1.9
Guyana	2.0	3.3	4.4	5.4	4.8	5.2	3.8	3.2	3.3
Jamaica	-0.8	-4.3	-1.5	1.7	-0.6	0.5	0.7	1.0	1.4
Saint Kitts and Nevis	6.3	-3.0	-2.2	2.4	-0.6	6.2	6.0	3.8	3.6
Saint Lucia	4.2	-0.4	-1.7	0.2	-1.4	0.1	0.4	1.9	2.1
Saint Vincent and the Grenadines	2.5	-2.1	-3.4	-0.4	1.4	1.8	1.2	1.6	2.4
Suriname	4.1	3.0	5.2	5.3	3.1	2.9	1.8	-2.7	-10.4
Trinidad and Tobago	3.4	-4.4	3.3	-0.3	1.3	2.7	-0.6	-0.6	-2.3

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

Table A.4

Latin America and the Caribbean: per capita gross domestic product
(Annual growth rates)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
Latin America and the Caribbean^b	2.7	-2.9	4.9	3.3	1.7	1.7	0.0	-1.5	-2.1
Latin America	2.7	-2.9	5.0	3.3	1.7	1.7	0.0	-1.5	-2.2
Argentina	3.0	-6.9	9.0	4.9	-2.1	1.3	-3.5	1.6	-3.2
Bolivia (Plurinational State of)	4.3	1.6	2.4	3.5	3.4	5.1	3.8	3.2	2.7
Brazil	3.9	-1.2	6.4	2.9	0.9	2.0	-0.4	-4.6	-4.4
Chile	2.5	-2.1	4.6	4.7	4.3	2.9	0.8	1.2	0.5
Colombia	2.3	0.5	2.8	5.5	3.0	3.8	3.4	2.1	1.1
Costa Rica	1.3	-2.3	3.6	3.2	3.9	1.1	2.5	3.6	3.3
Cuba	4.1	1.4	2.3	2.7	2.8	2.6	0.9	4.2	-0.9
Dominican Republic	1.8	-0.4	6.9	1.8	1.5	3.5	6.3	5.8	5.4
Ecuador	4.6	-1.1	1.8	6.2	4.0	3.3	2.4	-1.3	-2.9
El Salvador	0.9	-3.5	1.0	1.8	1.5	1.4	1.0	1.9	1.9
Guatemala	1.0	-1.6	0.7	2.0	0.8	1.6	2.1	2.1	1.1
Haiti	-0.7	1.5	-6.9	4.0	1.4	2.8	1.4	-0.1	0.1
Honduras	2.4	-4.1	2.1	2.2	2.6	1.3	1.6	2.2	2.2
Mexico	-0.3	-6.3	3.6	2.4	2.6	0.0	0.9	1.3	1.0
Nicaragua	1.5	-4.0	1.9	4.9	4.3	3.3	3.4	3.8	3.6
Panama	6.7	-0.1	4.0	9.9	7.4	4.9	4.4	4.1	3.2
Paraguay	4.9	-5.2	11.6	2.9	-2.6	12.5	3.3	1.6	2.8
Peru	7.8	-0.1	7.0	4.9	4.7	4.4	1.0	1.9	2.6
Uruguay	6.8	3.9	7.5	4.8	3.2	4.3	2.9	0.0	1.1
Venezuela (Bolivarian Republic of)	3.6	-4.7	-2.9	2.7	4.2	0.0	-5.1	-7.0	...
The Caribbean	0.7	-4.0	0.8	0.4	0.7	1.0	0.0	-0.4	-1.4
Antigua and Barbuda	-1.1	-13.0	-8.0	-2.8	2.8	-1.2	3.5	3.1	3.3
Bahamas	-4.1	-5.8	-0.2	-1.0	1.5	-1.4	-1.9	-2.9	-1.2
Barbados	-0.1	-1.9	-0.1	0.4	0.0	-0.4	-0.1	0.7	1.4
Belize	0.6	-1.7	0.9	-0.3	1.4	-1.5	1.9	0.7	-2.8
Dominica	7.0	-1.3	0.4	-0.6	-1.5	0.3	3.7	-2.2	0.4
Grenada	0.6	-6.9	-0.9	0.4	-1.5	1.9	6.9	5.8	1.4
Guyana	1.6	3.0	4.0	5.1	4.5	4.9	3.5	2.7	2.8
Jamaica	-1.3	-4.8	-1.9	1.3	-1.0	0.1	0.3	0.6	1.0
Saint Kitts and Nevis	5.0	-4.2	-3.4	1.2	-1.8	4.9	4.7	2.6	2.4
Saint Lucia	2.6	-1.8	-2.9	-0.8	-2.3	-0.7	-0.4	1.2	1.3
Saint Vincent and the Grenadines	2.4	-2.2	-3.4	-0.4	1.4	1.8	1.1	1.5	2.3
Suriname	3.0	1.8	4.0	4.2	2.1	1.9	0.9	-2.9	-11.2
Trinidad and Tobago	2.9	-4.8	2.8	-0.8	0.8	2.1	-1.0	-1.0	-2.6

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

Table A.5

Latin America and the Caribbean: year-on-year growth rates in gross domestic product^a
(Constant prices)

	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	0.0	3.9	3.8	2.6	0.6	-3.7	-3.7	-1.9	0.3
Belize	7.8	-0.7	1.8	2.8	-0.2	-1.0	-0.8	-1.1	2.1
Bolivia (Plurinational State of)	4.8	5.3	3.9	5.4	5.4	3.2	4.9	3.7	...
Brazil	-1.8	-3.0	-4.5	-5.8	-5.4	-3.6	-2.9	-2.5	-0.4
Chile	2.6	2.1	2.4	1.9	2.5	1.7	1.8	0.5	0.1
Colombia	2.6	3.0	3.2	3.4	2.7	2.5	1.1	1.6	1.1
Costa Rica	3.7	5.8	5.8	3.7	5.1	4.6	3.4	4.2	3.6
Dominican Republic	6.9	7.5	7.9	6.0	6.3	8.5	5.8	5.9	5.2
Ecuador	3.4	0.2	-0.8	-2.0	-4.0	-2.1	-1.2	1.5	2.6
El Salvador	2.2	2.1	2.5	2.4	2.1	2.4	2.4	2.6	2.3
Guatemala	5.0	3.6	4.0	4.0	2.9	3.7	2.6	3.0	3.0
Honduras	3.6	2.5	3.4	5.0	3.7	4.0	2.9	3.8	...
Jamaica ^b	0.4	0.8	1.7	0.9	0.9	1.4	2.0	1.1	...
Mexico	2.8	2.5	2.8	2.5	2.2	2.6	2.0	2.3	2.8
Nicaragua	4.2	2.9	5.3	6.8	3.5	7.4	4.1	4.0	6.6
Panama	6.2	6.0	5.7	5.3	5.0	5.3	4.7	4.5	6.2
Paraguay	6.7	2.7	1.9	0.7	1.5	6.3	5.3	3.4	6.6
Peru	2.0	3.2	3.2	4.6	4.3	3.7	4.5	3.0	2.1
Trinidad and Tobago	-1.7	-2.7	-1.6	-1.4	-5.2	-8.1	-10.8	...	...
Uruguay	3.9	-1.1	0.3	-1.3	0.0	1.3	1.1	3.4	4.3
Venezuela (Bolivarian Republic of)	-1.4	-4.7	-7.1	...	...	...	...	...	...

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

^a Based on figures in local currency.

^b Gross domestic product measured in basic prices.

Table A.6

Latin America and the Caribbean: gross fixed capital formation^a
(Percentages of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^b
Latin America and the Caribbean	19.2	20.2	19.2	20.1	21.0	21.2	21.2	20.7	19.4	18.1
Argentina	16.9	17.6	14.5	16.6	18.4	17.3	17.3	16.5	15.6	16.0
Bahamas	27.9	25.8	24.3	24.0	25.3	27.6	26.9	30.4	27.1	...
Belize	20.1	24.9	20.1	15.3	14.9	15.7	18.3	20.2	22.4	...
Bolivia (Plurinational State of)	14.4	16.1	16.1	16.6	19.5	19.0	19.9	20.7	20.7	20.6
Brazil	17.9	19.1	18.7	20.5	21.1	20.9	21.4	20.4	18.3	17.0
Chile	20.2	23.3	20.7	21.9	23.7	25.1	24.7	23.1	22.4	21.9
Colombia	21.0	22.3	21.7	21.9	24.4	24.6	25.0	26.3	26.0	24.6
Costa Rica	20.5	22.1	19.9	20.0	20.8	21.4	20.8	20.7	21.6	20.4
Dominican Republic	26.8	27.6	23.3	25.1	23.7	23.0	22.4	23.3	26.3	27.4
Ecuador	22.1	24.1	23.1	24.6	26.1	27.3	28.7	28.7	27.0	25.2
El Salvador	16.9	15.8	13.2	13.3	14.8	14.3	15.4	14.2	15.0	14.6
Guatemala	19.7	18.0	15.6	14.8	15.2	15.3	15.0	15.0	15.3	15.2
Haiti	25.1	25.6	25.7	25.4	...	...	...	...	...	...
Honduras	32.7	33.3	22.1	21.6	24.3	24.2	23.1	22.5	24.4	21.8
Mexico	22.3	23.1	22.0	21.2	21.9	22.1	21.5	21.6	21.9	21.5
Nicaragua	23.8	23.9	19.4	21.4	24.4	27.3	28.0	26.9	31.0	31.1
Panama	27.5	29.5	28.2	30.2	33.7	37.3	42.2	43.7	...	...
Paraguay	13.7	15.2	14.7	15.9	16.9	15.8	15.5	16.1	16.0	16.5
Peru	18.7	21.9	20.9	23.5	24.3	26.3	26.2	25.1	22.7	21.0
Uruguay	17.6	19.6	17.7	19.1	19.4	22.1	22.0	21.8	19.7	19.6
Venezuela (Bolivarian Republic of)	21.3	20.7	19.6	18.7	18.7	21.9	19.6	17.0	...	...

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

^a Based on official figures expressed in 2010 dollars.

^b Preliminary figures.

Table A.7
Latin America and the Caribbean: balance of payments
(Millions of dollars)

	Exports of goods f.o.b.			Exports of services			Imports of goods f.o.b.			Imports of services		
	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a
Latin America and the Caribbean	1 083 781	924 607	...	155 858	152 747	...	1 105 980	984 648	...	232 988	207 506	...
Latin America	1 062 115	907 755	...	143 286	139 991	...	1 077 602	959 697	...	223 886	198 771	...
Argentina	68 444	56 813	57 784	13 397	13 219	12 785	62 429	57 176	53 243	18 006	19 005	21 231
Bolivia (Plurinational State of)	12 810	8 673	6 986	1 196	1 243	1 208	9 888	9 004	7 803	3 025	2 835	2 806
Brazil	224 098	190 092	184 453	39 965	33 778	33 300	230 727	172 422	139 416	88 072	70 696	63 747
Chile	75 122	62 183	60 597	10 657	9 636	9 500	68 599	58 718	55 341	14 411	13 054	12 638
Colombia	56 899	38 275	33 381	7 159	7 424	8 008	61 539	52 050	43 239	14 378	12 193	11 159
Costa Rica	9 456	9 432	10 166	7 107	7 693	8 690	14 784	14 059	14 686	2 567	3 084	3 558
Dominican Republic	9 899	9 442	9 860	7 054	7 542	8 305	17 273	16 907	17 484	2 970	3 174	3 344
Ecuador	26 596	19 049	17 425	2 346	2 391	2 140	26 660	20 699	15 858	3 517	3 197	3 195
El Salvador	4 257	4 381	4 186	2 248	2 337	2 477	9 463	9 384	8 823	1 453	1 532	1 721
Guatemala	10 992	10 824	10 580	2 830	2 823	2 694	17 056	16 381	15 764	3 033	3 162	2 997
Haiti	961	1 024	995	701	724	623	3 666	3 449	3 183	1 085	1 042	1 013
Honduras	8 117	8 188	7 841	1 208	1 104	1 181	11 085	11 097	10 559	1 645	1 794	1 791
Mexico	397 650	380 976	374 296	21 182	22 903	24 500	400 440	395 573	387 369	34 467	32 658	33 441
Nicaragua	4 150	3 859	3 772	1 194	1 254	1 394	6 319	6 405	6 384	1 006	1 021	1 148
Panama	14 972	12 783	11 705	12 658	14 536	14 501	25 795	22 492	20 490	4 869	4 509	4 331
Paraguay	13 105	10 898	11 155	892	860	871	12 079	10 317	9 789	1 114	1 104	1 092
Peru	39 533	34 414	37 020	5 940	6 236	6 312	41 042	37 331	35 132	7 835	8 276	8 287
Uruguay	10 343	9 091	8 387	3 350	3 125	3 034	11 252	9 334	8 037	3 217	2 661	2 267
Venezuela (Bolivarian Republic of)	74 714	37 357	...	2 201	1 163	...	47 508	36 901	...	17 216	13 774	...
The Caribbean	21 665	16 852	...	12 572	12 755	...	28 378	24 951	...	9 102	8 735	...
Antigua and Barbuda	99	66	78	933	968	955	532	460	503	388	388	424
Bahamas	834	527	444	2 716	2 737	2 930	3 316	2 953	2 594	1 725	1 271	1 702
Barbados	474	483	517	1 421	1 471	1 565	1 652	1 537	1 540	462	494	495
Belize	589	538	...	494	496	...	926	961	...	225	221	...
Dominica	39	34	26	234	234	255	203	188	188	132	126	126
Grenada	41	41	38	507	537	555	306	327	315	231	238	238
Guyana	1 167	1 170	...	181	143	...	1 791	1 475	...	426	423	...
Jamaica	1 449	1 255	1 195	2 952	3 059	3 218	5 208	4 449	4 169	2 245	2 161	2 167
Saint Kitts and Nevis	49	49	51	493	482	467	286	302	308	212	216	206
Saint Lucia	164	187	166	822	853	811	552	502	576	296	330	320
Saint Vincent and the Grenadines	50	46	-47	200	233	-239	320	295	-295	121	117	-119
Suriname	2 145	1 652	...	211	204	...	2 012	2 028	...	761	674	...
Trinidad and Tobago	14 566	10 804	...	1 407	1 339	...	11 276	9 474	...	1 878	2 074	...

Table A.7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a
Latin America and the Caribbean	-99 330	-114 800	...	-156 919	-129 903	...	67 987	69 701	...	-188 261	-175 001	...
Latin America	-96 087	-110 721	...	-153 017	-127 735	...	65 105	66 852	...	-183 999	-171 604	...
Argentina	1 405	-6 148	-3 905	-11 614	-12 105	-12 152	1 535	1 083	1 156	-8 674	-17 170	-14 901
Bolivia (Plurinational State of)	1 094	-1 923	-2 415	-1 698	-1 127	-661	1 181	1 171	1 201	577	-1 879	-1 876
Brazil	-54 736	-19 249	14 590	-52 170	-42 910	-41 080	2 725	2 724	2 960	-104 181	-59 434	-23 530
Chile	2 769	47	2 119	-9 387	-6 576	-7 117	2 117	1 858	1 424	-4 501	-4 670	-3 574
Colombia	-11 858	-18 543	-13 008	-12 375	-5 528	-5 074	4 622	5 430	5 846	-19 611	-18 642	-12 236
Costa Rica	-788	-19	612	-2 109	-2 515	-3 124	450	457	465	-2 447	-2 077	-2 046
Dominican Republic	-3 290	-3 097	-2 663	-3 247	-2 936	-3 364	4 368	4 753	5 049	-2 170	-1 280	-978
Ecuador	-1 234	-2 455	512	-1 554	-1 737	-1 858	2 264	2 078	2 780	-524	-2 114	1 435
El Salvador	-4 412	-4 198	-3 881	-1 034	-1 091	-1 225	4 234	4 363	4 576	-1 212	-926	-531
Guatemala	-6 267	-5 896	-5 487	-1 408	-1 399	-1 569	6 445	7 199	7 965	-1 230	-96	909
Haiti	-3 089	-2 743	-2 579	50	35	43	2 291	2 437	2 463	-748	-271	-72
Honduras	-3 404	-3 598	-3 328	-1 606	-1 380	-1 473	3 638	3 835	3 991	-1 372	-1 144	-811
Mexico	-16 075	-24 352	-22 014	-29 147	-27 980	-26 911	22 772	24 131	26 505	-22 451	-28 201	-22 420
Nicaragua	-1 980	-2 313	-2 366	-314	-345	-354	1 450	1 515	1 586	-844	-1 144	-1 133
Panama	-3 035	318	1 384	-3 818	-4 020	-4 381	122	-106	-155	-6 730	-3 809	-3 151
Paraguay	804	337	1 145	-1 383	-1 297	-1 461	606	672	775	27	-287	460
Peru	-3 404	-4 956	-86	-9 893	-7 544	-9 184	4 372	3 331	3 967	-8 925	-9 169	-5 303
Uruguay	-3 290	-3 097	-2 663	-3 247	-2 936	-3 364	4 368	4 753	5 049	-2 170	-1 280	-978
Uruguay	-776	222	1 118	-1 935	-1 483	-1 275	131	121	122	-2 580	-1 140	-36
Venezuela (Bolivarian Republic of)	12 191	-12 155	...	-8 375	-5 798	...	-218	-197	...	3 598	-18 150	...
The Caribbean	-3 243	-4 079	...	-3 901	-2 167	...	2 883	2 849	...	-4 262	-3 397	...
Antigua and Barbuda	111	185	106	-78	-81	-98	-8	-11	-7	26	93	2
Bahamas	-1 490	-960	-921	-438	-403	-421	0	-46	237	-1 928	-1 409	-1 106
Barbados	-219	-78	47	-197	-213	-221	-15	2	-33	-431	-289	-207
Belize	-67	-149	...	-143	-95	...	74	70	...	-136	-175	...
Dominica	-62	-47	-33	-23	-19	-20	47	55	57	-38	-10	5
Grenada	11	13	40	-56	-58	-61	5	7	-12	-40	-38	-34
Guyana	-869	-585	...	27	25	...	458	417	...	-385	-144	...
Jamaica	-3 051	-2 296	-1 922	-298	-440	-570	2 236	2 306	2 389	-1 114	-430	-103
Saint Kitts and Nevis	45	13	4	-77	-81	-81	-9	-17	-26	-42	-85	-102
Saint Lucia	137	208	81	-99	-111	-118	14	15	6	52	112	-31
Saint Vincent and the Grenadines	-191	-132	127	-28	-14	25	31	33	-30	-187	-113	122
Suriname	-417	-846	...	-69	-27	...	71	65	...	-415	-808	...
Trinidad and Tobago	2 820	595	...	-2 421	-650	...	-21	-47	...	378	-101	...

Table A.7 (concluded)

	Capital and financial balance ^b			Overall balance			Reserve assets (variation) ^c			Other financing		
	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a
Latin America and the Caribbean	225 660	147 668	...	37 365	-27 339	...	-37 809	26 625	...	445	714	...
Latin America	219 202	145 589	...	35 170	-26 021	...	-35 577	25 350	...	408	671	...
Argentina	9 869	12 237	28 626	1 195	-4 933	13 725	-1 195	4 933	-13 725	0	0	0
Bolivia (Plurinational State of)	356	259	-1 170	932	-1 620	-3 046	-932	1 620	3 046	0	0	0
Brazil	115 014	61 003	32 767	10 833	1 569	9 237	-10 833	-1 569	-9 237	0	0	0
Chile	5 558	4 881	5 379	1 057	211	1 805	-1 057	-211	-1 805	0	0	0
Colombia	24 048	19 057	12 401	4 437	415	165	-4 437	-415	-165	0	0	0
Costa Rica	2 334	2 721	1 811	-113	644	-235	113	-644	235	0	0	0
Dominican Republic	2 820	2 051	1 870	650	770	892	-195	-407	-780	-455	-363	-112
Ecuador	99	626	-228	-424	-1 488	1 207	411	1 453	-1 763	13	35	556
El Salvador	1 179	1 039	983	-33	113	453	33	-113	-453	0	0	0
Guatemala	1 302	572	482	73	475	1 392	-73	-475	-1 392	0	0	0
Haiti	269	48	146	-479	-223	73	473	141	-142	7	82	69
Honduras	1 816	1 437	864	444	293	53	-459	-303	-66	15	10	13
Mexico	38 780	12 535	22 285	16 329	-15 667	-136	-16 329	15 667	136	0	0	0
Nicaragua	1 126	1 341	1 077	282	197	-57	-282	-197	57	0	0	0
Panama	7 127	2 824	4 478	397	-984	1 327	-1 222	78	-609	825	907	-718
Paraguay	1 112	-272	498	1 138	-560	957	-1 131	560	-957	-7	0	0
Peru	6 770	9 248	5 472	-2 188	73	168	2 178	-73	-168	10	0	0
Uruguay	3 940	-648	-2 130	1 360	-1 788	-2 166	-1 360	1 788	2 166	0	0	0
Venezuela (Bolivarian Republic of)	-4 316	14 632	...	-718	-3 518	...	718	3 518	...	...	...	...
The Caribbean	6 457	2 079	...	2 195	-1 318	...	-2 233	1 275	...	37	43	...
Antigua and Barbuda	69	-35	-27	94	58	-24	-94	-58	24	0	0	0
Bahamas	1 980	1 437	1 198	52	28	92	-52	-28	-92	0	0	0
Barbados	386	226	84	-46	-63	-123	46	63	123	0	0	...
Belize	221	71	...	85	-104	...	-85	104	...	0	...	...
Dominica	52	36	91	14	26	96	-14	-26	-96	0	0	0
Grenada	62	67	44	22	29	10	-22	-29	-10	0	0	0
Guyana	408	169	...	22	25	...	-59	-68	...	37	43	...
Jamaica	1 771	870	482	656	440	379	-656	-440	-379	...	...	...
Saint Kitts and Nevis	70	47	147	28	-38	44	-28	38	-44	0	0	0
Saint Lucia	14	-51	18	65	61	-13	-65	-61	13	0	0	0
Saint Vincent and the Grenadines	209	128	-142	22	15	-20	-22	-15	20	0	0	0
Suriname	265	542	...	-150	-266	...	150	266	...	0	0	...
Trinidad and Tobago	952	-1 427	...	1 330	-1 529	...	-1 330	1 529	...	0	0	...

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

^a Preliminary figures.

^b Includes errors and omissions.

^c A minus sign (-) indicates an increase in reserve assets.

Table A.8
Latin America and the Caribbean: international trade of goods
(Index 2010=100)

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2014	2015	2016 ^a	2014	2015	2016 ^a	2014	2015	2016 ^a
Latin America	121.4	103.8	100.2	113.1	116.4	118.4	107.3	89.2	84.6
Argentina	100.2	83.2	84.6	85.4	84.0	89.6	117.3	99.0	94.5
Bolivia (Plurinational State of)	200.1	135.5	109.1	151.9	140.9	128.6	131.7	96.1	84.8
Brazil	111.3	94.4	91.6	103.7	112.1	115.9	107.4	84.2	79.0
Chile	105.6	87.4	85.2	112.3	110.4	110.0	94.1	79.2	77.5
Colombia	139.6	93.9	81.9	139.4	143.6	142.7	100.1	65.4	57.4
Costa Rica	126.2	126.1	135.4	125.8	132.2	143.9	100.3	95.3	94.1
Dominican Republic	145.2	138.5	144.7	137.2	141.0	150.4	105.9	98.2	96.2
Ecuador	146.6	105.0	96.1	118.8	119.4	118.2	123.4	88.0	81.3
El Salvador	122.6	126.1	120.5	116.8	121.5	119.9	105.0	103.8	100.5
Guatemala	128.8	126.8	124.0	129.3	143.1	136.7	99.6	88.6	90.7
Haiti	170.6	181.8	177.7	156.9	175.9	179.5	108.7	103.3	99.0
Honduras	129.6	130.7	125.2	131.0	145.7	140.7	98.9	89.7	88.9
Mexico	133.1	127.5	125.2	125.2	130.8	134.8	106.3	97.5	92.9
Nicaragua	152.2	141.6	138.4	138.5	132.3	136.1	109.9	107.0	101.7
Panama	118.1	100.9	92.3	110.5	98.9	93.2	106.9	102.0	99.1
Paraguay	125.1	104.0	106.5	112.3	102.6	108.3	111.4	101.4	98.3
Peru	110.4	96.1	103.4	105.8	108.2	121.0	104.4	88.8	85.5
Uruguay	128.8	113.2	104.4	108.2	107.1	105.2	119.0	105.7	99.3
Venezuela (Bolivarian Republic of)	111.7	55.9	39.2	92.0	83.7	70.3	121.4	66.8	55.7
	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2014	2015	2016	2014	2015	2016	2014	2015	2016 ^a
Latin America	130.4	116.2	105.8	118.9	114.9	108.6	109.7	101.1	97.4
Argentina	115.3	105.6	98.3	103.6	107.5	111.7	111.3	98.2	88.0
Bolivia (Plurinational State of)	176.9	161.1	139.6	107.3	100.3	87.4	164.9	160.6	159.8
Brazil	126.2	94.3	76.3	112.9	95.7	85.0	111.8	98.5	89.7
Chile	124.2	106.3	100.2	118.7	115.5	113.8	104.6	92.1	88.1
Colombia	160.2	135.5	112.6	146.5	143.3	134.7	109.4	94.6	83.6
Costa Rica	133.9	130.6	132.7	129.4	134.3	136.4	103.5	97.3	97.3
Dominican Republic	113.6	111.2	114.9	104.8	119.3	125.9	108.4	93.2	91.3
Ecuador	135.7	105.4	80.7	123.9	100.4	81.0	109.5	104.9	99.7
El Salvador	126.3	125.2	117.7	121.8	132.1	130.3	103.7	94.8	90.3
Guatemala	133.2	127.9	123.1	123.5	128.9	125.3	107.9	99.2	98.2
Haiti	121.8	114.5	107.1	93.1	97.7	93.1	130.9	117.1	115.0
Honduras	124.4	124.6	118.5	113.7	121.1	116.4	109.4	102.9	101.8
Mexico	132.7	131.1	128.4	121.8	125.5	122.9	108.9	104.4	104.4
Nicaragua	140.0	141.9	141.5	127.7	150.8	160.6	109.7	94.1	88.1
Panama	149.8	130.6	119.0	139.7	124.3	113.3	107.2	105.1	105.1
Paraguay	125.9	107.5	102.0	116.7	105.0	100.6	107.9	102.5	101.4
Peru	142.4	129.6	121.9	127.7	128.0	124.2	111.5	101.2	98.2
Uruguay	131.5	109.1	93.9	124.1	118.1	114.2	105.9	92.4	82.2
Venezuela (Bolivarian Republic of)	113.8	88.4	52.6	104.9	83.8	49.4	108.5	105.5	106.6

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

^a Preliminary figures.

Table A.9

Latin America: exports of goods, f.o.b.

(Millions of dollars)

	2015				2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America	214 895	238 940	227 121	218 261	189 661	215 269	216 379	219 486	209 443	60 218
Argentina	12 058	16 405	15 866	12 459	12 443	15 399	15 757	14 134	12 670	4 825
Bolivia (Plurinational State of)	2 280	2 309	2 165	1 919	1 592	1 726	1 923	1 759	1 636	...
Brazil	42 539	51 338	49 860	46 356	40 375	49 448	48 925	45 706	50 342	17 630
Chile	16 929	15 957	14 457	14 890	15 071	14 850	14 080	15 858	15 795	5 019
Colombia	9 493	9 781	8 691	7 725	6 477	7 854	7 923	8 791	8 611	...
Costa Rica	2 294	2 441	2 182	2 280	2 387	2 676	2 372	2 480	2 557	...
Dominican Republic	2 266	2 512	2 457	2 288	2 272	2 508	2 624	2 457	...	...
Ecuador	4 870	4 934	4 438	4 088	3 627	4 298	4 235	4 638	4 721	...
El Salvador	1 428	1 399	1 397	1 260	1 280	1 446	1 354	1 255	1 414	...
Guatemala	2 769	2 823	2 658	2 427	2 615	2 729	2 569	2 538	2 920	...
Haiti	252,86	214,82	277,17	284,1	102,69	...	...	...	...	...
Honduras	2 143	2 199	1 882	1 818	1 935	2 166	1 899	1 841	...	...
Mexico	90 461	97 976	95 891	96 295	85 147	93 746	94 919	100 127	94 705	31 485
Nicaragua	672	669	567	515	555	619	562	490	...	...
Panama	3 240	3 181	3 216	3 147	2 404	3 130	3 177	2 980	...	...
Paraguay	2 447	2 091	2 008	1 810	2 201	2 374	2 239	1 680	2 461	742
Peru	8 164	8 275	8 590	9 207	7 756	8 365	9 861	11 038	10 116	...
Uruguay	1 653	2 328	2 035	1 664	1 423	1 936	1 961	1 717	1 494	518
Venezuela (Bolivarian Republic of)	8 936	12 108	8 483	7 830	...	...	...	...	...	...

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

Table A.10

Latin America and the Caribbean: imports of goods, c.i.f.
(Millions of dollars)

		2015				2016				2017	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America		239 682	242 306	247 388	234 133	198 015	212 336	221 543	221 646	203 595	52 622
Argentina	CIF	13 242	15 704	16 625	14 185	12 784	14 369	14 379	14 077	13 748	4 964
Bolivia (Plurinational State of)	FOB	2 203	2 109	2 231	2 460	1 850	1 906	1 986	2 145	2 048	...
Brazil	FOB	48 347	44 265	42 193	37 617	32 608	34 861	37 073	34 873	36 530	10 888
Chile	FOB	14 690	13 774	15 449	14 825	12 923	13 066	14 549	14 822	14 591	4 512
Colombia	FOB	13 463	12 514	13 289	12 332	10 079	10 489	10 987	11 295	10 781	...
Costa Rica	CIF	3 548	3 661	3 819	3 893	3 522	3 967	3 803	4 032	3 863	...
Dominican Republic	CIF	3 941	4 296	4 373	4 254	3 897	4 375	4 532	4 679	...	...
Ecuador	CIF	6 103	5 519	5 169	4 727	3 880	3 704	4 161	4 580	4 471	...
El Salvador	CIF	2 534	2 676	2 647	2 558	2 328	2 574	2 451	2 501	2 491	...
Guatemala	CIF	4 185	4 424	4 632	4 400	3 932	4 342	4 290	4 439	4 383	...
Haiti	CIF	968	950	945	820	742	315	...	...	...	...
Honduras	FOB	2 837	2 861	2 719	2 680	2 470	2 692	2 757	2 641	...	...
Mexico	FOB	92 605	99 985	102 562	100 080	89 133	96 814	100 155	100 963	97 480	30 868
Nicaragua	FOB	1 279	1 348	1 331	1 476	1 294	1 365	1 362	1 433	...	...
Panama	FOB	5 663	5 415	6 144	5 262	4 559	5 059	5 579	5 287	...	...
Paraguay	FOB	2 445	2 381	2 452	2 251	1 946	2 016	2 456	2 624	2 455	795
Peru	FOB	9 256	9 344	9 445	9 340	8 387	8 404	9 111	9 230	8 993	...
Uruguay	FOB	2 438	2 303	2 097	2 049	1 680	2 018	1 912	2 026	1 761	596
Venezuela (Bolivarian Republic of)	FOB	9 935	8 778	9 265	8 923	...	...	...	...	...	...

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

^a Figures as of April.

Table A.11

Latin America: terms of trade for goods f.o.b./f.o.b.

(Index 2010=100)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
Latin America	97.2	89.7	100.0	108.0	104.5	102.1	97.9	88.2	86.9
Argentina	96.4	97.2	100.0	110.9	115.7	108.1	105.4	100.8	107.3
Bolivia (Plurinational State of)	99.0	95.2	100.0	118.1	112.3	94.5	79.9	59.9	53.1
Brazil	88.5	86.2	100.0	107.8	101.5	99.4	96.1	85.5	88.1
Chile	78.4	82.0	100.0	101.3	94.8	91.9	89.9	86.0	87.9
Colombia	91.3	86.1	100.0	114.8	108.4	100.6	91.6	69.1	68.7
Costa Rica	100.8	104.1	100.0	96.3	95.8	96.1	97.0	98.0	96.7
Dominican Republic	96.0	103.8	100.0	94.7	93.8	91.5	97.7	105.4	105.3
Ecuador	103.7	86.7	100.0	112.4	112.1	113.2	112.7	83.8	81.6
El Salvador	107.1	105.1	100.0	100.8	97.1	96.5	101.2	109.5	111.3
Guatemala	92.6	100.5	100.0	99.1	93.7	91.8	92.3	89.3	92.3
Haiti	79.9	103.4	100.0	83.0	86.0	80.6	83.1	88.2	86.0
Honduras	91.1	97.3	100.0	108.4	94.6	88.6	90.4	87.2	87.3
Mexico	104.6	92.9	100.0	106.8	102.9	102.8	97.6	93.3	89.0
Nicaragua	90.9	97.9	100.0	106.6	106.7	98.4	100.3	113.7	115.4
Panama	97.3	101.9	100.0	97.8	98.2	97.7	99.7	97.0	94.3
Paraguay	102.3	100.0	100.0	102.4	103.4	102.8	103.3	98.9	96.9
Peru	84.6	82.6	100.0	107.2	104.4	99.0	93.6	87.8	87.1
Uruguay	94.1	100.5	100.0	102.4	106.3	108.1	112.3	114.5	120.8
Venezuela (Bolivarian Republic of)	115.5	84.1	100.0	120.2	121.4	118.9	111.8	63.3	52.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Preliminary figures.**Table A.12**

Latin America and the Caribbean (selected countries): remittances from emigrant workers

(Millions of dollars)

	2012	2013	2014	2015	2016				2017	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Bolivia (Plurinational State of)	1 094	1 182	1 164	1 179	284	291	312	317	293	99 ^b
Brazil	2 191	2 124	2 128	2 459	581	591	574	619	551	162 ^b
Colombia	3 970	4 401	4 093	4 635	1 163	1 182	1 190	1 323	1 208	383 ^b
Costa Rica	527	561	559	518	119	130	133	133	...	...
Dominican Republic	4 045	4 262	4 571	4 961	1 289	1 301	1 318	1 353	1 455	...
Ecuador	2 467	2 450	2 462	2 378	595	669	666	671	626	...
El Salvador	3 880	3 938	4 133	4 270	1 045	1 176	1 116	1 239	1 175	406 ^b
Guatemala	4 783	5 105	5 544	6 285	1 663	1 849	1 763	1 885	1 941	1 387
Honduras	2 842	3 093	3 437	3 726	913	1 012	999	1 022	1 057	343 ^b
Jamaica	2 037	2 065	2 157	2 226	537	588	583	583	...	...
Mexico	22 438	22 303	23 647	24 792	6 204	6 954	6 885	6 930	6 640	2 306 ^b
Nicaragua	1 014	1 078	1 136	1 193	302	306	313	343	323	108 ^b
Paraguay	528	519	422	462	113	131	143	160	150	...
Peru	2 788	2 707	2 637	2 725	672	721	745	747	706	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Figures as of May.^b Figures as of April.

Table A.13

Latin America and the Caribbean: net resource transfer^a
(Millions of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^b
Latin America and the Caribbean	-31 653	-22 365	31 455	46 257	35 854	32 053	69 186	18 480	...
Latin America	-29 614	-21 391	34 474	48 392	34 523	33 669	66 593	18 525	...
Argentina	-14 438	-16 227	-8 767	-15 841	-14 921	-11 864	-1 745	132	16 474
Bolivia (Plurinational State of)	-177	-1 094	-707	923	-1 888	-1 840	-1 342	-868	-1 831
Brazil	-9 401	37 269	57 870	65 194	38 810	36 374	62 844	18 094	-8 313
Chile	-1 523	-13 599	-15 522	3 006	-2 493	-486	-3 829	-1 695	-1 738
Colombia	-516	-2 270	649	-1 950	1 758	5 218	11 673	13 529	7 328
Costa Rica	1 644	-180	589	979	3 065	1 064	225	205	-1 313
Dominican Republic	2 462	1 248	2 563	2 420	933	735	-882	-1 249	-1 606
Ecuador	-2 246	-2 264	-625	-522	-1 611	1 427	-1 441	-1 076	-1 530
El Salvador	1 477	179	-302	79	1 039	267	145	-52	-242
Guatemala	906	-762	142	313	693	989	-105	-827	-1 086
Haiti	374	373	971	573	788	625	326	165	258
Honduras	1 532	-429	546	521	32	894	225	67	-597
Mexico	8 982	-1 985	13 556	22 125	9 719	11 229	9 632	-15 445	-4 627
Nicaragua	1 258	873	749	980	802	967	812	996	723
Panama	1 732	-664	1 223	2 854	1 667	2 096	4 134	-289	-621
Paraguay	-915	-767	-1 036	-603	-1 184	-1 127	-279	-1 569	-964
Peru	-219	-6 684	3 557	-5 455	7 648	1 100	-3 112	1 704	-3 712
Uruguay	3 045	929	-1 131	2 248	4 344	3 903	2 005	-2 131	-3 406
Venezuela (Bolivarian Republic of)	-23 589	-15 337	-19 853	-29 453	-14 681	-17 901	-12 691	8 834	...
The Caribbean	-2 039	-974	-3 019	-2 135	1 330	-1 616	2 593	-45	...
Antigua and Barbuda	292	108	146	88	140	191	-9	-116	-124
Bahamas	1 246	909	627	992	1 162	1 096	1 542	1 035	777
Barbados	140	242	96	150	139	-38	188	13	-137
Belize	38	15	-107	-60	-30	72	78	-24	...
Dominica	108	118	70	67	81	23	29	18	71
Grenada	201	160	154	177	157	223	6	9	-17
Guyana	262	-51	101	341	311	568	471	236	...
Jamaica	2 120	430	871	1 326	400	860	1 472	430	-88
Saint Kitts and Nevis	183	172	142	129	52	50	-7	-35	66
Saint Lucia	257	125	195	231	158	84	-86	-162	-100
Saint Vincent and the Grenadines	204	189	221	163	208	247	182	114	-117
Suriname	-96	-68	-720	-569	-175	-84	196	514	...
Trinidad and Tobago	-6 995	-3 324	-4 816	-5 170	-1 273	-4 909	-1 469	-2 077	...

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

^a The net resource transfer is calculated as total net capital income minus the income balance (net payments of profits and interest). Total net capital income is the balance on the capital and financial accounts plus errors and omissions, plus loans and the use of IMF credit plus exceptional financing. Negative figures indicate resources transferred outside the country.

^b Preliminary figures.

Table A.14
Latin America and the Caribbean: net foreign direct investment^a
(Millions of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^b
Latin America and the Caribbean	105 840	73 575	113 396	147 357	152 802	148 511	141 091	135 193	...
Latin America	100 088	70 577	110 896	145 474	149 364	146 528	138 104	132 699	...
Argentina	8 335	3 306	10 368	9 352	14 269	8 932	3 145	10 884	2 442
Bolivia (Plurinational State of)	508	426	672	859	1 060	1 750	690	556	395
Brazil	24 601	36 033	61 689	85 091	81 399	54 240	70 855	61 175	71 115
Chile	9 476	6 733	6 693	4 122	10 006	11 204	11 211	3 726	5 101
Colombia	7 479	4 530	947	6 227	15 646	8 557	12 265	7 514	9 171
Costa Rica	2 240	1 340	1 589	2 328	1 803	2 401	2 798	2 839	2 603
Dominican Republic	2 870	2 165	2 024	2 277	3 142	1 991	2 209	2 205	2 407
Ecuador	1 057	309	166	644	568	727	772	1 322	738
El Salvador	824	366	-226	218	484	176	311	399	374
Guatemala	738	574	782	1 009	1 205	1 262	1 282	1 104	1 070
Haiti	30	55	178	119	156	162	99	106	105
Honduras	1 007	505	971	1 012	851	992	1 315	1 113	801
Mexico	28 237	8 523	12 124	11 936	-1 808	34 989	20 765	22 578	28 455
Nicaragua	608	463	475	929	704	665	790	905	860
Panama	2 196	1 259	2 363	2 956	3 254	3 612	4 130	3 966	5 041
Paraguay	263	71	462	581	697	252	382	260	274
Peru	6 188	6 020	8 189	7 194	11 710	9 663	3 640	8 144	6 560
Uruguay	2 117	1 512	2 349	2 511	2 539	3 027	2 148	1 293	919
Venezuela (Bolivarian Republic of)	1 316	-3 613	-918	6 110	1 679	1 928	-704	2 609	...
The Caribbean	5 752	2 997	2 500	1 882	3 438	1 983	2 987	2 494	...
Antigua and Barbuda	159	81	97	65	133	95	40	96	42
Bahamas	860	664	872	667	526	382	251	76	74
Barbados	468	352	329	83	565	-62	...	...	...
Belize	167	108	95	95	193	92	138	59	...
Dominica	57	42	43	35	59	23	14	23	32
Grenada	135	103	60	43	31	113	58	89	91
Guyana	178	164	198	247	278	201	238	117	...
Jamaica	1 361	480	169	144	411	631	584	921	564
Saint Kitts and Nevis	178	131	116	110	108	136	158	132	89
Saint Lucia	161	146	121	81	74	92	19	75	116
Saint Vincent and the Grenadines	159	110	97	86	115	160	108	48	-90
Suriname	-231	-93	-248	73	173	188	163	276	...
Trinidad and Tobago	2 101	709	549	156	772	-66	1 214	583	...

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

^a Corresponds to direct investment in the reporting economy after deduction of outward direct investment by residents of that country. Includes reinvestment of profits.

^b Preliminary figures.

Table A.15Latin America and the Caribbean: total gross external debt^a*(Millions of dollars, end-of-period stocks)*

		2009	2010	2011	2012	2013	2014	2015	2016
Latin America and the Caribbean		834 791	987 485	1 109 959	1 219 438	1 281 934	1 410 433	1 446 733	1 495 740
Latin America		820 430	970 699	1 092 192	1 201 639	1 262 865	1 390 292	1 424 908	1 472 162
Argentina	Total	119 267	134 011	145 154	145 722	141 491	144 801	152 632	156 043
	Public	65 517	74 166	77 221	75 554	74 142	80 731	83 876	95 304
	Private	53 751	59 844	67 934	70 168	67 349	64 070	68 755	60 739
Bolivia (Plurinational State of)	Total	5 801	5 875	6 298	6 625	7 756	8 543	9 445	10 717
	Public	2 601	2 891	3 582	4 196	5 262	5 736	6 341	6 925
	Private	3 092	2 815	2 716	2 430	2 494	2 807	3 104	3 792
Brazil	Total	198 136	256 804	298 204	327 590	312 517	352 684	334 745	321 297
	Public	95 502	82 847	77 300	82 245	122 641	139 051	130 587	130 274
	Private	102 635	152 864	195 763	199 336	189 876	213 633	204 158	191 023
Chile	Total	72 617	86 570	100 973	122 668	136 351	152 135	157 764	163 789
	Public	13 617	18 377	22 262	27 757	27 994	31 285	31 764	35 309
	Private	59 000	68 193	78 711	94 912	108 357	120 849	125 999	128 480
Colombia	Total	53 719	64 738	75 568	78 763	91 976	101 282	110 596	119 976
	Public	37 129	39 546	42 434	46 065	52 119	59 645	66 234	71 308
	Private	16 590	25 192	33 135	32 698	39 856	41 637	44 362	48 668
Costa Rica	Total	8 276	9 527	11 286	15 381	19 629	21 671	24 030	26 437
	Public	3 632	4 381	4 345	7 428	7 428	8 919	10 290	10 728
	Private	4 644	5 146	6 941	7 953	12 201	12 752	13 740	15 709
Dominican Republic	Public	8 215	9 947	11 625	12 872	14 919	16 074	16 029	17 400
Ecuador	Total	13 514	13 914	15 210	15 913	18 788	24 112	27 720	34 153
	Public	7 364	8 622	9 973	10 768	12 920	17 582	20 226	25 680
	Private	6 149	5 292	5 237	5 145	5 868	6 531	7 494	8 473
El Salvador	Total	9 882	9 698	10 670	12 521	13 238	14 885	15 217	16 253
	Public	6 550	6 831	7 142	7 637	7 764	8 673	8 553	9 113
	Private	3 332	2 867	3 528	4 884	5 474	6 213	6 664	7 140
Guatemala	Total	11 248	12 026	14 021	15 339	17 307	19 530	20 385	20 955
	Public	5 391	6 038	6 027	6 823	7 429	7 510	7 878	8 393
	Private	5 857	5 988	7 993	8 516	9 877	12 020	12 507	12 562
Haiti	Public	1 247	863	657	1 067	1 474	1 830	1 981	2 009
Honduras	Total	3 365	3 785	4 208	4 861	6 709	7 184	7 456	7 506
	Public	2 481	2 843	3 218	3 664	5 202	5 569	5 927	6 115
	Private	884	942	990	1 197	1 507	1 616	1 530	1 391
Mexico	Total	160 427	193 971	209 766	225 973	259 535	285 754	298 016	313 605
	Public	96 354	110 428	116 420	125 726	134 436	147 666	162 210	180 986
	Private	64 073	83 543	93 346	100 247	125 099	138 089	135 806	132 619
Nicaragua	Public	3 661	4 068	4 263	4 481	4 724	4 796	4 804	5 042
Panama	Public	10 150	10 439	10 858	10 782	12 231	14 352	15 648	16 902
Paraguay	Total	3 177	3 713	3 970	4 563	4 776	6 126	6 513	7 122
	Public	2 234	2 335	2 291	2 241	2 677	3 680	3 993	4 823
	Private	943	1 378	1 679	2 322	2 099	2 446	2 519	2 299
Peru	Total	35 157	43 674	47 977	59 376	60 823	69 215	73 274	74 651
	Public	20 241	22 980	24 275	26 510	24 079	23 890	26 781	29 623
	Private	14 916	20 694	23 702	32 866	36 744	45 325	46 493	45 028
Uruguay	Total	17 969	18 425	18 345	24 030	26 518	28 100	28 450	26 149
	Public	13 117	13 182	14 436	16 662	18 044	18 950	18 931	17 971
	Private	4 853	5 243	3 909	7 368	8 473	9 149	9 520	8 179
Venezuela (Bolivarian Republic of)	Total	84 602	102 354	118 285	130 785	132 362	135 767	138 869	151 007
	Public	68 525	88 652	103 140	113 112	112 103	117 217	120 204	132 156
	Private	16 077	13 702	12 734	17 673	20 259	18 550	18 665	18 852

Table A.15 (concluded)

		2009	2010	2011	2012	2013	2014	2015	2016
The Caribbean		14 361	16 785	17 766	17 798	19 070	20 142	21 826	23 578
Antigua and Barbuda	Public	416	432	467	445	577	560	570	590
Bahamas	Public	767	916	1 045	1 465	1 616	2 095	2 185	2 371
Barbados	Public	1 321	1 366	1 385	1 322	1 434	1 521	1 490	1 438
Belize	Public	1 017	1 021	1 032	1 029	1 083	1 127	1 177	1 199
Dominica	Public	222	232	238	263	273	278	281	263
Grenada	Public	512	528	535	535	562	578	581	616
Guyana	Public	933	1 043	1 206	1 358	1 246	1 216	1 143	1 162
Jamaica	Public	6 594	8 390	8 626	8 256	8 310	8 659	10 314	10 244
Saint Kitts and Nevis	Public	325	296	320	317	320	280	210	197
Saint Lucia	Public	373	393	417	435	488	526	457	479
Saint Vincent and the Grenadines	Public	262	313	328	329	354	385	378	418
Suriname	Public	269	334	463	567	739	810	876	1 436
Trinidad and Tobago	Public	1 351	1 522	1 706	1 478	2 068	2 109	2 164	3 164

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

^a Includes debt owed to the International Monetary Fund.

Table A.16

Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI global
(Basis points to end of period)

		2012	2013	2014	2015	2016				2017	
						March	June	September	December	March	May
Latin America	EMBI +	317	410	491	584	562	514	452	480	455	441
Argentina	EMBI +	991	808	719	438	444	518	439	455	452	407
Belize	EMBI Global	2 245	807	819	822	1 460	1 285	1 297	1 837	655	739
Bolivia (Plurinational State of)	EMBI Global	...	289	277	250	211	186	142	83	102	221
Brazil	EMBI +	142	224	259	523	409	350	319	328	270	284
Chile	EMBI Global	116	148	169	253	213	202	180	158	133	134
Colombia	EMBI +	112	166	196	321	299	261	222	227	195	206
Dominican Republic	EMBI Global	343	349	381	421	434	428	351	407	333	327
Ecuador	EMBI Global	826	530	883	1 266	1 058	913	845	647	666	694
El Salvador	EMBI Global	396	389	414	634	667	671	486	536	553	578
Jamaica	EMBI Global	711	641	485	469	469	478	396	375	349	337
Mexico	EMBI +	126	155	182	232	227	213	221	232	196	201
Panama	EMBI +	129	199	189	218	212	213	168	186	153	152
Paraguay	EMBI Global	...	240	291	338	335	326	276	281	241	236
Peru	EMBI +	114	159	181	246	231	203	160	175	136	136
Uruguay	EMBI Global	127	194	208	280	279	270	232	244	209	205
Venezuela (Bolivarian Republic of)	EMBI +	773	1 093	2 295	2 658	3 007	2 546	2 017	2 138	2 330	2 214

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan Emerging Markets Bond Index (EMBI).

Table A.17

Latin America and the Caribbean: risk premia on five-year credit default swaps
(Basis points to end of period)

		2012	2013	2014	2015	2016				2017	
						March	June	September	December	March	June
Argentina		1 442	1 654	2 987	5 393	5 393	420	382	419	364	324
Brazil		108	194	201	495	366	317	273	281	226	242
Chile		72	80	94	129	95	95	86	83	72	66
Colombia		96	119	141	243	216	206	170	164	134	136
Mexico		98	92	103	170	162	159	167	156	130	113
Panama		98	111	109	182	160	161	142	127	120	95
Peru		97	133	115	188	163	139	103	108	102	86
Venezuela (Bolivarian Republic of)		647	1 150	3 155	4 868	5 259	3 892	2 946	3 750	3 571	3 562

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

Table A.18

Latin America and the Caribbean: international bond issues^a
(Millions of dollars)

	2012	2013	2014	2015	2016				2017	
					Q1	Q2	Q3	Q4	Q1	Q2 ^b
Total	114 241	123 332	133 056	79 033	29 764	45 676	31 152	22 772	45 423	16 627
Latin America and the Caribbean^b	111 757	121 518	129 743	75 863	28 521	43 468	29 823	22 715	43 937	16 627
Argentina	663	1 025	1 941	3 586	2 610	24 065	2 608	4 500	13 278	2 660
Bahamas	-	-	300	-	-	-	-	-	-	-
Barbados	-	-	2 500	320	-	-	-	-	-	-
Bolivia (Plurinational State of)	500	500	-	-	-	-	-	-	1 000	-
Brazil	50 255	37 262	45 364	7 188	1 500	10 047	8 934	-	9 950	5 700
Chile	9 443	11 540	13 768	7 650	2 650	94	1 197	1 395	2 610	1 517
Colombia	7 459	10 012	9 200	6 400	1 760	1 801	-	500	3 010	350
Costa Rica	1 250	3 000	1 000	1 127	-	500	-	-	-	300
Dominican Republic	750	1 800	1 500	3 500	1 000	870	-	-	1 517	-
Ecuador	-	-	2 000	1 500	-	-	2 000	750	1 000	2 000
El Salvador	800	310	800	300	-	-	-	-	951	-
Guatemala	1 400	1 300	1 100	-	-	700	-	-	500	830
Honduras	-	1 000	-	-	-	-	-	-	700	-
Jamaica	1 750	1 800	1 800	2 925	-	-	364	-	-	-
Mexico	28 147	41 729	37 592	30 375	16 291	4 180	12 498	8 570	8 166	1 520
Panama	1 100	1 350	1 935	1 700	1 000	575	75	550	150	1 200
Paraguay	500	500	1 000	280	600	-	-	-	500	-
Peru	7 240	5 840	5 944	6 407	1 110	550	-	300	605	550
Suriname	-	-	-	-	-	86	-	550	-	-
Trinidad and Tobago	-	550	-	-	-	-	1 000	600	-	-
Uruguay	500	2 000	2 000	2 605	-	-	1 147	-	-	-
Venezuela (Bolivarian Republic of)	-	-	-	-	-	-	-	5 000	-	-
Supranational issues	2 484	1 814	3 313	3 171	1 243	2 208	1 329	56	1 486	-
Central American Bank for Economic Integration (CABEI)	250	520	505	521	196	306	329	56	328	-
Caribbean Development Bank (CDB)	-	-	-	-	-	-	-	-	-	-
Foreign Trade Bank of Latin America (BLADEX)	400	-	-	-	-	73	-	-	-	-
Development Bank of Latin America (CAF)	1 834	1 294	2 808	2 650	1 047	1 330	1 000	-	1 158	-
Inter-American Investment Corporation (IIC)	-	-	-	-	-	500	-	-	-	-

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

^a Includes sovereign, bank and corporate bonds.

^b Figures as of May.

Table A.19

Latin America and the Caribbean: stock exchange indices
(National indices to end of period, 31 December 2005=100)

	2012	2013	2014	2015	2016				2017	
					March	June	September	December	March	June
Argentina	185	349	556	757	842	951	1 081	1 096	1 313	1 420
Brazil	182	154	149	130	150	154	174	180	194	188
Chile	219	188	196	187	200	203	204	211	243	242
Colombia	155	137	122	90	104	103	104	106	107	114
Costa Rica	129	190	211	191	207	212	259	250	253	...
Ecuador	135	148	168	161	158	154	149	150	159	171
Jamaica	88	77	73	144	147	153	157	184	214	225
Mexico	246	240	242	241	258	258	265	256	273	280
Peru	430	328	308	205	251	289	319	324	328	336
Trinidad and Tobago	100	111	108	109	106	106	108	113	116	113
Venezuela (Bolivarian Republic of)	2 312	13 421	18 925	71 546	71 480	63 028	63 567	155 494	215 187	604 979

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

Table A.20

Latin America and the Caribbean: gross international reserves
(Millions of dollars, end-of-period stocks)

	2012	2013	2014	2015	2016				2017	
					March	June	September	December	March	May
Latin America and the Caribbean	835 905	830 207	857 618	811 907	817 138	822 159	830 835	830 440	845 528	845 809
Latin America	820 026	813 984	839 356	795 043	800 347	805 216	813 492	813 567	830 496	830 944
Argentina	43 290	30 599	31 443	25 563	29 572	30 507	29 902	38 772	50 522	46 146
Bolivia (Plurinational State of)	13 927	14 430	15 123	13 056	12 483	11 609	11 039	10 081	10 261	10 264
Brazil	373 147	358 808	363 551	356 464	357 698	364 152	370 417	365 016	370 111	376 491
Chile	41 650	41 094	40 447	38 643	39 553	39 694	39 437	40 483	39 022	38 850
Colombia	37 474	43 639	47 328	46 740	47 229	47 030	47 113	46 683	46 937	47 159
Costa Rica	6 857	7 331	7 211	7 834	7 812	7 787	7 699	7 574	7 274	6 833
Dominican Republic	3 559	4 701	4 862	5 266	5 183	5 325	4 941	6 047	6 459	6 087
Ecuador ^a	2 483	4 361	3 949	2 496	2 573	3 573	4 473	4 259	3 810	2 790
El Salvador	3 175	2 745	2 693	2 787	3 172	3 350	3 451	3 238	3 681	3 622
Guatemala	6 694	7 273	7 333	7 751	7 662	8 696	9 015	9 160	9 425	9 916
Haiti	1 337	1 690	1 163	977	998	1 034	...	...	...	...
Honduras	2 629	3 113	3 570	3 874	4 047	4 176	3 926	4 100	4 694	4 631
Mexico	167 050	180 200	195 682	177 597	179 708	178 830	180 499	178 025	178 704	176 115
Nicaragua	1 778	1 874	2 147	2 353	2 338	2 313	2 341	2 296	2 308	2 397
Panama	2 441	2 775	3 994	3 911	4 711	4 783	4 109	4 511	3 764	4 584
Paraguay	4 994	5 871	6 891	6 200	6 633	6 882	7 000	7 144	7 803	7 909
Peru	64 049	65 710	62 353	61 537	61 429	59 611	61 618	61 746	62 605	63 565
Uruguay	13 605	16 290	17 555	15 634	14 291	13 759	14 480	13 436	12 689	13 006
Venezuela (Bolivarian Republic of)	29 890	21 481	22 061	16 361	13 257	12 104	12 034	10 995	10 428	10 577
The Caribbean	15 879	16 223	18 262	16 863	16 791	16 944	17 343	16 874	15 032	14 865
Antigua and Barbuda ^a	161	202	297	356	405	410	406	330	...	...
Bahamas	812	740	787	808	980	1 054	913	902	925	953
Barbados	630	516	467	434	452	443	424	315	328	347
Belize	289	402	483	432	436	439	430	371	369	395
Dominica ^a	92	85	100	125	132	157	168	221	...	...
Grenada ^a	104	135	158	189	195	195	191	201	...	...
Guyana	862	777	666	599	619	635	610	616	596	591
Jamaica	1 981	1 818	2 473	2 914	2 894	2 820	3 056	3 291	3 324	3 239
Saint Kitts and Nevis ^a	252	291	318	280	341	343	329	313	...	...
Saint Lucia ^a	208	168	235	298	306	311	292	275	...	...
Saint Vincent and the Grenadines ^a	109	133	156	165	183	169	163	191	...	...
Suriname	1 008	779	625	330	276	404	350	381	384	385
Trinidad and Tobago ^a	9 371	10 176	11 497	9 933	9 571	9 566	10 009	9 466	9 105	8 956

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

^a Net international reserves.

Table A.21Latin America and the Caribbean: real effective exchange rates^{a b}*(Índices 2005=100, valores medios del periodo)*

	2012	2013	2014	2015	2016 ^c				2017 ^c	
					Q1	Q2	Q3	Q4	Q1	Q2 ^d
Latin America and the Caribbean^e	81.3	81.2	80.4	84.4	85.9	86.0	84.9	84.5	83.3	83.7
Barbados	89.5	89.4	88.1	84.7	85.0	84.4	82.0	81.7	83.5	86.5
Bolivia (Plurinational State of)	87.0	81.5	74.9	65.6	59.4	62.9	64.4	63.3	64.0	65.3
Brazil	77.6	83.0	85.4	106.1	113.9	103.3	94.6	94.6	90.0	92.1
Chile	94.0	95.2	105.4	109.5	111.2	109.7	107.0	105.8	103.9	106.2
Colombia	76.5	80.1	84.5	104.3	115.9	106.5	104.6	106.3	101.6	101.4
Costa Rica	76.6	74.1	77.4	73.5	72.9	74.9	76.0	76.3	76.5	78.9
Dominica	109.0	110.8	112.0	110.7	110.5	111.2	109.8	108.7	109.6	110.1
Dominican Republic	112.3	115.8	118.9	115.8	114.9	117.3	117.6	117.7	118.3	120.4
Ecuador	98.1	96.5	93.3	85.1	82.0	84.0	84.5	84.1	84.7	85.4
El Salvador	103.1	104.1	104.6	103.7	102.2	103.7	104.6	104.5	104.3	105.6
Guatemala	88.3	87.2	83.3	77.9	74.6	75.0	72.9	71.3	70.3	69.9
Honduras	83.8	84.8	82.8	82.6	83.1	84.0	84.2	84.8	85.3	85.3
Jamaica	95.3	99.9	106.1	105.0	109.1	112.7	115.8	117.7	118.2	120.1
Mexico	112.6	106.8	108.0	122.2	134.8	138.2	143.0	147.1	147.8	136.7
Nicaragua	103.4	100.1	105.3	100.8	101.3	102.1	104.2	105.2	105.9	108.2
Panama	94.4	92.2	89.0	85.5	84.1	85.0	85.0	84.3	84.2	85.3
Paraguay	73.0	68.3	66.1	67.1	66.6	69.4	70.9	72.2	71.7	71.2
Peru	90.1	90.5	93.1	94.9	97.4	95.8	96.3	95.8	91.9	92.0
Trinidad and Tobago	73.8	70.8	67.2	61.3	60.5	62.2	62.8	62.7	62.9	63.4
Uruguay	76.3	70.7	74.3	74.1	76.6	77.6	72.8	70.6	69.8	70.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a A country's overall real effective exchange rate index is calculated by weighting its real bilateral exchange rate indices with each of its trading partners by each partner's share in the country's total trade flows in terms of exports and imports.^b A currency depreciates in real effective terms when this index rises and appreciates when it falls.^c Preliminary figures.^d Figures as of May.^e The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries.

Table A.22Latin America and the Caribbean: participation rate
(Average annual rates)

			2010	2011	2012	2013	2014	2015	2016 ^a	2016	2017 ^a	
											First quarter	
Latin America and the Caribbean^b			Total	62.0	61.8	61.9	61.7	61.6	61.6	61.6
Argentina ^c	Urban areas	Total	58.9	59.5	59.3	58.9	58.3	57.7 ^d	57.5 ^e	...	57.2	
		Female	47.0	47.4	47.6	47.1	46.9	46.4 ^d	46.9 ^e	...	46.1	
		Male	72.3	72.9	72.2	72.0	70.9	70.1 ^d	69.4 ^e	...	69.6	
Bahamas	Nationwide total	Total	...	72.1	72.5	73.2	73.7	74.3	76.9 ^f	...	...
		Female	...	...	69.5	70.1	70.1	71.7	72.0 ^f	...	...
		Male	...	...	75.8	76.9	77.8	79.5	81.2 ^f	...	...
Barbados	Nationwide total	Total	66.6	67.6	66.2	66.7	63.8	65.1	66.6 ^d	...	...
		Female	62.0	63.0	61.1	61.8	60.4	61.7	62.8 ^d	...	...
		Male	71.7	72.7	72.0	72.3	67.7	68.7	70.6 ^d	...	...
Belize	Nationwide total	Total	...	...	65.8	64.0	63.6	63.2	64.0	...	...
		Female	...	...	52.6	49.8	49.2	48.7	50.3	...	...
		Male	...	...	79.2	78.3	78.2	77.8	78.0	...	...
Bolivia (Plurinational State of)	Nationwide total	Total	...	65.9	61.2	63.4	65.8	61.0	...	...	...
		Female	...	57.5	52.6	54.8	57.1	50.4	...	...	...
		Male	...	74.7	70.4	72.6	75.0	72.1	...	...	...
Brazil ^g	Nationwide total	Total	...	60.0	61.4	61.3	61.0	61.3	61.4	61.4	61.6	
		Female	...	50.1	50.8	50.7	50.6	51.2	51.4	51.2	52.0	
		Male	...	70.8	73.1	72.9	72.5	72.4	72.3	72.7	72.0	
Chile	Nationwide total	Total	58.5	59.8	59.5	59.6	59.8	59.7	59.5	59.4	59.5	
		Female	45.3	47.3	47.6	47.7	48.4	48.2	48.0	47.6	47.7	
		Male	72.1	72.7	71.9	71.8	71.6	71.5	71.3	71.6	71.6	
Colombia	Nationwide total	Total	62.7	63.7	64.5	64.2	64.2	64.7	64.5	64.1	63.8	
		Female	51.8	52.8	54.1	53.9	54.0	54.8	54.5	54.0	53.6	
		Male	74.2	75.1	75.4	74.9	74.9	75.2	74.9	74.6	74.5	
Costa Rica ^g	Nationwide total	Total	59.1	60.7	62.5	62.2	62.6	61.2	58.4	58.7	59.5	
		Female	43.5	45.7	48.4	48.6	49.2	48.1	44.3	44.5	45.0	
		Male	75.9	76.8	76.2	75.5	75.9	74.3	72.4	72.6	73.8	
Cuba	Nationwide total	Total	74.9	76.1	74.2	72.9	71.9	69.1	...	...	...
		Female	60.5	60.5	57.4	57.3	56.3	45.2	...	...	...
		Male	87.7	90.0	89.5	87.1	86.2	82.9	...	...	...
Dominican Republic	Nationwide total	Total	56.5	57.8	59.0	58.7	59.1	59.3	59.8	...	...
		Female	40.8	42.6	44.0	43.7	44.0	44.5	45.6	...	...
		Male	72.4	73.4	74.4	74.1	74.6	74.5	74.4	...	...
Ecuador ^h	Nationwide total	Total	62.5	62.5	61.7	62.1	63.2	66.2	68.2	68.6	68.9	
		Female	48.0	47.8	47.4	47.7	48.5	52.7	56.2	56.6	57.5	
		Male	77.9	78.3	76.9	77.2	78.8	80.5	81.0	81.4	81.0	
El Salvador	Nationwide total	Total	62.5	62.7	63.2	63.6	63.6	62.8	62.1	...	...
		Female	47.3	47.0	47.9	49.3	49.3	47.8	46.7	...	...
		Male	80.9	81.2	81.4	80.7	80.7	80.7	80.2	...	...
Guatemala	Nationwide total	Total	62.5	61.8	65.4	60.6	60.9	60.7	60.8 ⁱ	...	...
		Female	84.7	40.4	45.7	40.6	40.6	38.9	40.2 ⁱ	...	...
		Male	42.9	84.6	87.6	83.4	83.8	84.7	83.6 ⁱ	...	...
Honduras	Nationwide total	Total	53.6	51.9	50.8	53.7	56.0	58.3	57.5	...	...
		Female	37.4	34.9	33.8	37.2	40.6	44.1	43.0	...	...
		Male	71.0	70.4	69.2	72.1	73.6	74.4	74.0	...	...

Table A.22 (concluded)

			2010	2011	2012	2013	2014	2015	2016 ^a	2016	2017 ^a
			First quarter								
Jamaica	Nationwide total	Total	62.4	62.3	61.9	63.0	62.8	63.1	64.8	64.3	64.9 ^j
		Female	54.8	54.9	54.9	56.2	55.9	56.3	58.6	57.8	59.1 ^j
		Male	70.4	70.2	69.1	70.0	70.0	70.3	71.2	70.9	71.0 ^j
Mexico ^k	Nationwide total	Total	58.4	58.6	59.2 |	60.3	59.8	59.8	59.7	59.2	59.2
		Female	41.6	42.0	43.0 |	43.9	43.1	43.4	43.4	42.9	42.8
		Male	77.0	76.9	77.1 |	78.5	78.3	78.0	77.7	77.2	77.4
Nicaragua	Nationwide total	Total	71.2	75.6	76.8	75.8	74.0	...	...	...	...
		Female	57.9	64.0	66.6	65.1	63.0	...	...	...	...
		Male	85.3	87.9	87.7	87.3	85.8	...	...	...	...
Panama	Nationwide total	Total	63.5	61.9	63.4	64.1	64.0	64.2	64.4	64.7	64.7 ^l
		Female	47.5	45.6	48.0	49.2	49.8	50.8	51.1	51.5	51.9 ^l
		Male	80.4	79.2	80.1	79.7	79.4	78.4	78.6	78.9	78.1 ^l
Paraguay ^m	Nationwide total	Total	60.5	60.7	64.3	62.6	61.6	61.6	62.6	...	...
		Female	47.3	48.9	53.8	51.9	49.6	50.0	...	...	...
		Male	73.5	72.8	74.7	73.8	74.1	73.8	...	...	...
Peru	Metropolitan Lima	Total	70.0	70.0	69.1	68.9	68.4	68.3	68.5	69.0	68.6
		Female	61.7	61.5	60.7	60.6	60.1	60.3	60.1	60.1	60.0
		Male	79.0	79.0	78.2	77.9	77.3	76.7	77.4	78.5	77.8
Trinidad and Tobago	Nationwide total	Total	62.1	61.3	61.8	61.3	61.9	60.6	60.0 ^d	...	...
Uruguay	Nationwide total	Total	62.9	64.8	64.0	63.6	64.7	63.8	63.4	63.9	63.2
		Female	54.0	55.8	55.6	56.4	55.9	55.4	55.4	55.8	55.0
		Male	73.1	74.7	73.5	73.9	74.3	72.9	72.3	72.7	72.2
Venezuela (Bolivarian Republic of)	Nationwide total	Total	64.6	64.4	63.9	64.3	65.3	63.7	62.9 ⁿ	...	...
		Female	50.5	50.3	50.1	50.6	52.1	49.8	48.3 ⁿ	...	...
		Male	79.2	78.6	77.8	78.1	78.7	77.9	77.8 ⁿ	...	...

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

^a Preliminary figures.

^b The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working-age population. The regional series are weighted averages of national data (excluding Belize and Nicaragua) and include adjustments for lack of information and changes in methodology.

^c The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review. These data are therefore preliminary and will be replaced when new official data are published.

^d The figures correspond to the average for the first three quarters.

^e The figures correspond to the average for the last three quarters.

^f Figures as of May.

^g New measurements have been used since 2012; the data are not comparable with the previous series.

^h Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

ⁱ The overall figure is the average of the February-March, August-September and November-December measurements. Figures for women and men are the averages of the February-March and August-September measurements.

^j The figures in the last two columns correspond to the measurement of January.

^k New measurements have been used since 2013; the data are not comparable with the previous series.

^l The figures in the last two columns correspond to the measurement of March.

^m The overall figures for the period 2012-2015 have been reviewed, while the sets for women and men were not reviewed.

ⁿ The figures correspond to the average for January-April.

Table A.23

Latin America and the Caribbean: open urban unemployment^a
(Average annual rates)

		2009	2010	2011	2012	2013	2014	2015	2016 ^b	2016	2017 ^b	
											First quarter	
Latin America and the Caribbean^c		9.1	8.4	7.7	7.2	7.1	6.9	7.3	8.9	...	...
Argentina ^d	Urban areas	8.7	7.7	7.2	7.2	7.1	7.3	6.5 ^e	8.5 ^f	...	9.2	
Bahamas ^g	Nationwide total	14.2	...	15.9	14.4	15.8	14.8	13.4	12.7 ^h	...	...
Barbados ^g	Nationwide total	10.0	10.8	11.2	11.6	11.6	12.3	11.3	9.9 ^e	...	...
Belize ^g	Nationwide total	13.1	12.5	...	15.3	13	11.6	10.1	9.5	...	...
Bolivia (Plurinational State of)	Urban total	4.9	...	3.8	3.2	4.0	3.5	4.4	...	...	...
Brazil	Twenty metropolitan regions ⁱ	8.1	6.7	6.0	8.2	8.0	7.8	9.3	13.0	12.0	14.9	
Chile ^j	Nationwide total	11.3	8.5	7.4	6.7	6.2	6.7	6.4	6.8	6.7	6.9	
Colombia ^g	Municipal capitals	13.2	12.7	11.8	11.4	10.7	10.0	9.8	10.3	11.9	11.7	
Colombia ^k	Municipal capitals	12.4	12.0	11.1	10.8	10.0	9.4	9.2	9.7	11.3	11.1	
Costa Rica ^l	Urban total	8.5	7.1	7.7	9.8	9.1	9.5	9.7	9.6	9.8	9.1	
Cuba	Nationwide total	1.7	2.5	3.2	3.5	3.3	2.7	2.4	1.9	...	...
Dominican Republic	Urban total	5.8	5.7	6.7	7.2	7.9	7.2	6.9	6.3	...	...
Ecuador ^g	Urban total	8.5	7.6	6.0	4.9	4.7	5.1	5.4	6.8	7.4	5.6	
Ecuador ^k	Urban total	6.9	6.1	5.0	4.2	4.0	4.3	4.7	5.9	6.5	5.1	
El Salvador	Urban total	7.1	6.8	6.6	6.2	5.6	6.7	6.8	...	...	...
Guatemala ^m	Urban total	...	4.8	3.1	4.0	3.8	4.0	3.2	3.4	...	...
Honduras	Urban total	4.9	6.4	6.8	5.6	6.0	7.5	8.8	9.0	...	...
Jamaica ^g	Nationwide total	11.4	12.4	12.6	13.9	15.2	13.7	13.5	13.2	13.3	12.7 ⁿ	
Jamaica ^k	Nationwide total	7.5	8.0	8.4	9.3	10.3	9.4	9.5	9.0	9.1	8.5 ^o	
Mexico	Urban total	5.9	5.9	5.6	5.4	5.4	5.3	4.7	4.3	4.4	3.7	
Nicaragua ^g	Nationwide total	7.9	7.8	5.9	5.9	5.6	6.6	...	...	...	...
Panama ^g	Urban total	7.9	7.7	5.4	4.8	4.7	5.4	5.8	6.4	6.5	6.4 ^p	
Panama ^k	Urban total	6.3	5.8	3.6	3.6	3.7	4.1	4.5	5.2	4.9	5.4 ^p	
Paraguay	Asunción and urban areas of the Department Central ^q	8.2	7.4	6.9	7.9	7.7	7.8	6.5	7.7	7.6	8.4	
Peru	Metropolitan Lima	5.9	5.3	5.1	4.7	4.8	4.5	4.4	5.2	6.7	6.4	
Trinidad and Tobago	Nationwide total	5.3	5.9	5.1	5.0	3.6	3.3	3.5	4.1 ^e	...	...
Uruguay	Urban total	8.2	7.5	6.6	6.7	6.7	6.9	7.8	8.2	8.2	8.9	
Venezuela (Bolivarian Republic of)	Nationwide total	7.9	8.7	8.3	8.1	7.8	7.2	7.0	7.5 ^r	...	...

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

^a Percentage of unemployed population in relation to the total workforce.

^b Preliminary figures.

^c Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population.

^d The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review. These data are therefore preliminary and will be replaced when new official data are published.

^e The figures correspond to the average for the first three quarters.

^f The figures correspond to the average for the last three quarters.

^g Includes hidden unemployment.

^h Figures as of May.

ⁱ Up to 2011, six metropolitan areas.

^j New measurements have been used since 2010; the data are not comparable with the previous series.

^k Includes an adjustment for workforce figures due to exclusion of hidden unemployment.

^l New measurements have been used since 2012; the data are not comparable with the previous series.

^m New measurements have been used since 2011; the data are not comparable with the previous series.

ⁿ The figures in the last two columns correspond to the average for January.

^o New measurements have been used since 2009; the data are not comparable with the previous series.

^p The figures in the last two columns correspond to the average for March.

^q Up to 2009, urban total.

^r The figures correspond to the average for January-April.

Table A.24
Latin America and the Caribbean: employment rate^a
(Average annual rates)

		2009	2010	2011	2012	2013	2014	2015	2016 ^b	2016	2017 ^b	
											First quarter	
Latin America and the Caribbean^c		57.3	57.3	57.5	57.7	57.7	57.7	57.4	56.6	...	...
Argentina ^d	Urban areas	54.2	54.4	55.2	55.0	54.7	54.0	53.9 ^e	52.6 ^f	...	52.0	
Bahamas	Nationwide total	63.0	...	60.6	62.1	61.6	62.8	64.3	67.1 ^g	...	...
Barbados	Nationwide total	60.3	59.4	60.0	58.5	58.9	56.0	57.7	60.0 ^e	...	...
Belize	Nationwide total	...	...	...	55.7	55.9	56.6	56.8	57.9	...	...
Bolivia (Plurinational State of)	Nationwide total	63.0	...	64.2	59.7	61.5	64.3	58.9	...	...	...
Brazil ^h	Nationwide total	56.9	...	56.0	56.9	56.9	56.8	56.1	54.3	54.7	53.1	
Chile ⁱ	Nationwide total	50.5	53.7	55.5	55.7	56.0	56.0	56.0	55.6	55.7	55.5	
Colombia	Nationwide total	53.9	55.4	56.8	57.9	58.0	58.4	59.0	58.3	57.2	57.0	
Costa Rica ^h	Nationwide total	55.4	54.8	56.0	56.2	56.4	56.6	55.4	52.8	53.1	54.0	
Cuba	Nationwide total	74.2	73.0	73.6	71.6	70.5	70.0	67.5	...	...	...
Dominican Republic	Nationwide total	52.3	53.6	54.5	55.2	54.6	55.4	55.8	56.6	...	...
Ecuador ^j	Nationwide total	61.1	59.4	59.9	59.1	59.5	60.4	63.3	64.6	64.6	65.1	
El Salvador	Nationwide total	59.2	58.1	58.6	59.4	59.9	58.4	57.8	...	...	...
Guatemala	Nationwide total	...	60.2	59.2	63.5	58.7	59.1	59.2	59.0	...	...
Honduras	Nationwide total	51.5	51.5	49.7	48.9	51.6	53.1	54.0	53.2	...	...
Jamaica	Nationwide total	56.3	54.6	54.4	53.3	53.4	54.2	54.6	56.2	55.7	56.7 ^k	
Mexico ^l	Nationwide total	55.4	55.3	55.6	56.3	57.3	56.9	57.2	57.4	56.8	57.2	
Nicaragua	Nationwide total	61.3	65.8	71.2	72.3	71.5	69.1	...	...	...	...
Panama	Nationwide total	59.9	59.4	59.1	60.8	61.5	60.9	60.9	60.8	61.1	61.1	
Paraguay	Nationwide total	57.1	57.1	57.3	61.5	60.1	58.6	58.7	58.9	...	...
Peru	Urban total	67.0	67.8	67.9	68.1	67.8	66.9	66.3	66.8	66.1	66.1 ^m	
Trinidad and Tobago	Nationwide total	59.4	58.4	58.2	58.8	59.1	59.9	58.5	57.5 ^e	...	...
Uruguay	Nationwide total	58.5	58.4	60.7	59.9	59.5	60.4	59.0	58.4	58.9	57.8	
Venezuela (Bolivarian Republic of)	Nationwide total	60.0	59.0	59.0	58.7	59.3	60.4	59.2	58.2 ⁿ	...	...

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

^a Employed population as a percentage of the working-age population.

^b Preliminary figures.

^c Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working-age population.

^d The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review. These data are therefore preliminary and will be replaced when new official data are published.

^e The figures correspond to the average for the first three quarters.

^f The figures correspond to the average for the last three quarters.

^g Figures as of May.

^h New measurements have been used since 2012; the data are not comparable with the previous series.

ⁱ New measurements have been used since 2010; the data are not comparable with the previous series.

^j Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

^k The figures in the last two columns correspond to the average for January.

^l Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

^m The figures in the last two columns correspond to the average for March.

ⁿ The figures correspond to the average for January-April.

Table A.25

Latin America and the Caribbean: formal employment indicators

(Index 2010=100)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a	2016	2017 ^a
	First semester										
Argentina ^b	97.4	97.1	100.0	105.0	107.0	109.6	110.9	114.0	114.3	114.6	114.8 ^c
Brazil ^d	90.3	93.0	100.0	106.6	111.3	114.6	116.9	115.0	110.4	111.3	108.2 ^e
Chile ^f	93.1	94.2	100.0	105.7	112.1	115.8	117.9	120.1	122.2	122.8	123.5 ^e
Costa Rica ^g	97.6	97.0	100.0	103.1	106.7	109.0	110.7	112.6	116.3	115.7	119.1 ^e
El Salvador ^g	101.3	98.5	100.0	103.3	105.5	111.0	113.5	115.1	117.3	...	...
Guatemala ^g	96.9	98.3	100.0	104.3	107.1	110.4	111.8	114.2	117.4	...	...
Jamaica ^h	104.0	103.0	100.0	99.4	99.0	100.4	...	...	...	...	...
Mexico ^g	99.4	96.3	100.0	104.3	109.2	113.0	117.0	122.0	126.7	125.8	131.2 ⁱ
Nicaragua ^g	92.2	94.2	100.0	108.1	116.6	125.9	132.8	144.6	160.3	157.0	169.1 ^e
Panama ^j	96.6	98.5	100.0	110.3	117.8	122.5	126.1	127.2	125.4	...	...
Peru ^h	94.8	96.0	100.0	105.4	109.6	112.7	114.8	115.8	116.2	113.3	114.0 ^e
Uruguay ^k	91.7	94.4	100.0	104.9	108.9	110.9	111.7	110.1	108.9	109.7	110.9 ^c

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Preliminary figures.^b Dependent workers paying into pension schemes.^c The figures in the last two columns correspond to the first quarter.^d Workers covered by social and labour legislation.^e The figures in the last two columns correspond to the average for January-April.^f Dependent workers who contribute to the pension system.^g Workers with social security coverage.^h Workers at firms with 10 or more employees.ⁱ The figures in the last two columns correspond to the average for January-May.^j Up to 2012, workers with social security coverage. From 2013, corresponds to workers in small, medium and large enterprises in manufacturing, commerce and services.^k Employment positions generating social security contributions.**Table A.26**

Latin America: visible underemployment by hours

(Percentages of employed workers)

		2009	2010	2011	2012	2013	2014	2015	2016 ^a
Argentina ^{b,c}	Urban areas	11.1	9.8	9.1	9.3	9.2	9.6	9.0 ^d	11.5 ^e
Chile ^f	Nationwide total	10.8	11.5	11.9	11.5	11.6	11.3	10.3	10.9
Colombia ^g	Municipal capitals	9.6	10.4	12.0	11.5	12.3	12.2	10.5	10.6
Costa Rica ^h	Nationwide total	13.5	11.2	13.4	11.3	12.5	12.8	12.4	9.0
Ecuador ⁱ	Urban total	12.6	12.1	9.8	8.2	8.9	9.3	10.9	15.4
El Salvador ⁱ	Urban total	7.7	7.0	3.4	5.8	5.8	6.7	6.8	...
Honduras ^j	Urban total	4.4	6.7	10.6	10.1	11.6	10.4	13.0	11.2
Mexico ^h	Nationwide total	8.8	8.7	8.6	8.5	8.3	8.1	8.4	7.7
Panama ^j	Urban total	2.1	1.8	1.3	1.9	2.0	1.8	2.4	2.2
Paraguay ^k	Asunción and urban areas of the Departamento Central ^l	8.2	7.2	6.1	5.3	4.7	4.8	4.6	4.0
Peru ^b	Metropolitan Lima	15.4	14.5	12.4	12.0	11.6	11.3	10.4	11.3
Uruguay ^j	Urban total	9.2	8.9	7.6	7.4	6.9	6.9	7.3	8.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Preliminary figures.^b Employed persons who work less than 35 hours per week and wish to work more hours.^c The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review. These data are therefore preliminary and will be replaced when new official data are published.^d The figures correspond to the average for the first three quarters.^e The figures correspond to the average for the last three quarters.^f Employed persons who work less than 30 hours per week and wish to work more hours. The series 2009 and 2010-2016 are not comparable, owing to the changes in methodology that took place in 2010.^g Employed persons who work less than 48 hours per week and wish to work more hours.^h Employed persons wishing to work more than their current job permits.ⁱ Employed persons who work less than 40 hours per week and wish to work more hours.^j Employed persons who work less than 36 hours per week and wish to work more hours.^k Employed persons who work less than 30 hours per week and wish to work more hours.^l Up to 2009, figures correspond to the urban total. From 2010 to 2016, they correspond to Asunción and urban areas of Central Department.

Table A.27Latin America: real average wages^a

(Index 2010=100)

	2009	2010	2011	2012	2013	2014	2015	2016 ^b	2016	2017 ^b
									First quarter	
Bolivia (Plurinational State of) ^c	96.6	100.0	98.2	99.3	100.3	101.8	108.8	113.8 ^d	...	...
Brazil ^e	98.5	100.0	101.4	104.9	107.4	108.4	108.9	107.6	109.1	109.2 ^f
Chile ^g	97.9	100.0	102.5	105.8	109.9	111.9	113.9	115.4	115.4	117.1 ^h
Colombia ⁱ	97.3	100.0	100.3	101.3	104.0	104.5	105.6	104.6	103.5	105.0 ^h
Costa Rica ^j	97.9	100.0	105.7	107.1	108.5	110.7	115.2	118.2	125.0	126.1 ^h
Cuba	97.0	100.0	100.2	100.7	101.2	124.0	143.1	...	...	...
El Salvador ^k	98.9	100.0	97.1	97.3	97.8	98.5	106.3	...	...	...
Guatemala ^l	97.2	100.0	100.4	104.4	104.3	106.8	110.4	108.2	...	...
Mexico ^j	100.9	100.0	101.1	101.2	101.3	101.7	103.2	104.1	104.2	103.5 ^h
Nicaragua ^j	98.8	100.0	100.1	100.5	100.7	102.4	105.1	107.5	105.9	107.0 ^h
Panama ^l	93.3	100.0	100.1	103.5	103.8	109.5	113.1	117.5	...	...
Paraguay	99.4	100.0	102.8	103.5	105.7	107.0	107.5	108.2	...	...
Peru ^m	103.1	100.0	108.4	111.0	114.7	117.9	117.5	119.8	120.6	120.2 ^f
Uruguay	96.8	100.0	104.0	108.4	111.7	115.4	117.3	119.1	119.7	122.3 ^h
Venezuela (Bolivarian Republic of)	105.6	100.0	103.0	109.1	104.3	...	...	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Figures deflated by the official consumer price index of each country.^b Preliminary figures.^c Private-sector average wage index.^d The figures correspond to the average of March and June.^e Private-sector workers covered by social and labour legislation. New series from 2013.^f The figures in the last two columns correspond to the first quarter.^g General index of hourly remuneration.^h The figures in the last two columns correspond to the average for January-April.ⁱ Manufacturing. New series from 2015.^j Average wage declared by workers registered with and paying into social security.^k Average taxable salary.^l Average wage declared by workers covered by social security. As from 2013, corresponds to workers in small, medium and large businesses, in manufacturing, commerce and services.^m Payroll workers in the Lima metropolitan area. Until 2009, private sector workers in the Lima metropolitan area.

Table A.28

Latin America and the Caribbean: monetary indicators
(Percentage variation with respect to the year-earlier period)

		2012	2013	2014	2015	2016				2017	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America											
Argentina	Monetary base	34.9	30.2	19.7	33.2	29.1	26.2	28.6	27.5	38.8	34.9
	Money (M1)	33.3	29.5	26.1	31.6	30.6	19.5	14.4	18.1	26.0	...
	M2	32.4	30.9	23.1	33.2	29.3	24.2	20.9	22.0	28.1	...
	Foreign-currency deposits	-22.6	-6.1	51.7	38.5	141.9	136.8	156.7	233.2	162.3	...
Bolivia (Plurinational State of)	Monetary base	18.2	10.8	9.5	19.2	13.1	7.5	4.0	-7.1	-9.4	...
	Money (M1)	18.3	13.5	15.4	9.4	8.9	11.6	11.9	6.2	3.9 ^b	...
	M2	31.3	22.6	18.8	18.4	16.1	15.3	12.1	7.1	5.5 ^b	...
	Foreign-currency deposits	-5.0	-4.1	-3.4	3.7	3.3	-0.9	-3.9	-2.4	-1.8 ^b	...
Brazil	Monetary base	9.4	5.5	7.2	3.0	2.4	1.5	5.6	3.4	5.0	8.9 ^c
	Money (M1)	5.9	10.7	4.7	-1.6	-4.2	-1.7	1.5	3.1	2.1	...
	M2	13.4	9.3	11.7	6.8	5.6	5.0	5.3	4.0	3.1	...
Chile	Monetary base	13.7	16.3	5.3	9.6	9.5	7.7	13.1	15.1	10.1	7.6
	Money (M1)	9.1	10.1	12.1	14.3	11.4	6.8	3.7	4.0	5.0	11.0 ^c
	M2	14.7	9.7	8.7	11.1	13.0	11.1	8.1	6.8	4.3	4.9 ^c
	Foreign-currency deposits	8.9	18.7	29.0	18.7	9.3	14.5	6.9	2.0	3.5	8.0 ^c
Colombia	Monetary base	9.5	12.5	16.7	15.0	19.0	11.6	7.1	-0.4	-2.4	-1.2 ^c
	Money (M1)	6.7	14.3	14.8	10.4	9.7	5.7	1.3	-0.6	-1.3	...
	M2	16.9	17.5	12.9	10.4	12.6	12.5	9.8	7.5	6.1	...
Costa Rica	Monetary base	12.1	14.1	11.7	11.1	9.3	12.9	10.5	8.1	7.1	7.5 ^c
	Money (M1)	9.4	11.9	13.0	9.3	21.3	19.8	18.2	12.8	9.6	...
	M2	13.8	13.0	14.4	9.4	5.2	3.7	2.8	0.3	2.1	...
	Foreign-currency deposits	-1.2	0.1	13.0	1.8	-0.4	-1.4	4.7	4.6	11.3	...
Dominican Republic	Monetary base	9.0	3.9	3.3	22.1	10.2	9.7	8.5	7.9	5.7	3.5 ^c
	Money (M1)	7.3	12.1	13.6	12.9	11.9	15.9	14.6	13.2	8.0	...
	M2	12.1	8.0	11.2	10.7	12.1	13.3	12.3	11.2	8.7	...
	Foreign-currency deposits	18.4	16.1	11.5	11.9	11.9	11.2	6.1	6.9	12.0	...
Ecuador	Monetary base	16.1	23.3	17.5	16.9	24.5	20.4	22.7	23.8	20.0	...
	Money (M1)	14.0	14.8	14.4	10.6	6.4	9.2	10.5	15.4	16.5	...
	M2	17.8	13.4	14.5	6.7	1.3	3.3	7.9	14.1	15.4	...
El Salvador	Monetary base	1.8	4.8	2.8	1.2	3.6	1.5	4.1	4.6	6.5	13.6 ^c
	Money (M1)	4.4	2.9	4.0	4.9	9.5	3.6	3.7	-0.7	0.8	...
	M2	0.5	1.8	0.8	3.7	6.7	5.6	5.4	3.5	5.4	...
Guatemala	Monetary base	5.8	9.2	5.8	12.1	9.3	8.1	11.2	10.4	10.7	...
	Money (M1)	5.8	7.0	5.2	11.9	7.9	5.1	4.9	6.3	5.7	...
	M2	9.4	9.7	8.1	11.5	9.0	7.7	7.4	7.6	7.3	...
	Foreign-currency deposits	3.2	11.2	9.4	6.0	7.1	3.8	2.2	3.9	-1.4	...
Haiti	Monetary base	9.2	0.4	-1.0	15.4	28.7	30.8	23.4	22.7	20.1	15.0 ^c
	Money (M1)	8.7	11.1	8.7	12.7	3.4	1.3	6.7	12.3	18.3	...
	M2	5.7	9.4	8.4	12.5	8.4	7.9	7.3	10.2	15.8	...
	Foreign-currency deposits	6.9	8.2	8.5	18.5	32.3	31.5	23.8	24.6	21.9	...
Honduras	Monetary base	11.3	4.0	9.7	16.6	9.4	15.8	12.7	21.4	20.9	...
	Money (M1)	2.1	-5.0	8.4	19.0	10.8	9.6	10.3	9.8	16.2 ^d	...
	M2	8.7	3.6	8.9	12.7	9.8	10.3	10.2	11.6	12.9 ^d	...
	Foreign-currency deposits	15.3	12.6	7.3	11.3	5.9	3.5	9.2	14.4	17.4 ^d	...

Table A.28 (continued)

		2012	2013	2014	2015	2016				2017	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Mexico	Monetary base	13.9	6.3	13.5	20.1	15.9	15.9	16.3	15.6	14.2	14.8 ^c
	Money (M1)	13.7	7.5	13.9	16.1	11.0	12.2	12.1	12.5	12.4	...
	M2	10.7	7.1	11.0	13.5	8.9	10.1	10.4	11.1	10.5	...
	Foreign-currency deposits	16.8	13.3	26.6	40.0	34.2	22.9	22.7	41.7	36.8	...
Nicaragua	Monetary base	18.3	6.3	12.9	17.4	13.5	8.4	17.3	6.8	5.2	...
	Money (M1)	17.6	8.5	16.5	21.0	14.8	5.5	10.9	7.1	4.8 ^d	...
	M2	17.6	8.5	16.5	21.0	14.8	5.5	10.9	7.1	4.8 ^d	...
	Foreign-currency deposits	21.2	13.6	20.4	16.3	16.6	15.9	13.6	13.2	13.8 ^d	...
Panama	Monetary base	12.7	16.0	-1.2	28.5	12.4	8.8	10.3	1.7	1.1	...
	Money (M1)	17.1	6.9	15.1	-0.4	0.2	-0.1	0.0	0.8	-0.7	...
	M2	10.8	6.3	13.3	4.8	6.2	6.4	5.5	6.2	4.8	...
Paraguay	Monetary base	11.8	5.1	8.3	11.3	3.1	1.2	1.4	4.8	6.2	8.9 ^c
	Money (M1)	8.6	15.6	9.6	11.6	1.8	-0.1	2.7	7.8	11.2	...
	M2	13.7	17.4	10.6	11.2	3.0	1.4	3.7	7.6	10.6	...
	Foreign-currency deposits	14.9	15.8	29.3	22.3	25.8	20.1	8.6	4.0	0.7	...
Peru	Monetary base	31.2	21.1	-8.6	-0.9	0.0	2.8	5.2	5.1	4.8	3.8 ^c
	Money (M1)	18.7	14.3	4.9	5.1	2.2	3.6	7.5	4.3	4.4	...
	M2	23.2	18.4	2.5	2.9	3.5	7.5	16.2	13.7	13.7	...
	Foreign-currency deposits	0.4	16.3	21.4	17.3	26.8	12.0	-1.6	-9.3	-14.1	...
Uruguay	Monetary base	21.8	15.3	11.0	11.5	8.2	21.7	10.4	4.8	13.5	8.6
	Money (M1)	18.4	11.7	6.1	7.1	1.2	0.6	1.5	5.7	10.3	...
	M2	17.4	12.4	8.7	9.4	6.3	11.4	13.2	13.5	16.3	...
	Foreign-currency deposits	19.6	14.8	25.8	26.6	38.2	26.2	9.0	0.8	-10.2	...
Venezuela (Bolivarian Republic of)	Monetary base	40.8	61.1	86.5	95.2	101.1	97.7	134.4	207.6	299.9	...
	Money (M1)	62.0	66.1	69.5	85.1	102.7	97.6	105.9	145.8	193.5	...
	M2	57.5	65.4	69.1	84.9	103.2	98.0	106.0	144.5	190.7	...
The Caribbean											
Antigua and Barbuda	Monetary base	29.4	13.2	20.0	14.4	14.5	14.0	8.6	9.3	-13.6 ^d	...
	Money (M1)	-2.1	3.1	11.5	4.4	11.8	11.4	13.7	11.0	11.4 ^d	...
	M2	1.7	2.8	3.5	2.5	-0.8	-0.6	0.4	1.5	4.8 ^d	...
	Foreign-currency deposits	-12.8	0.9	20.0	17.0	25.6	25.9	21.8	-0.4	8.2 ^d	...
Bahamas	Monetary base	-7.8	2.2	13.8	-1.8	10.5	19.3	29.0	40.4	...	...
	Money (M1)	8.6	5.6	8.4	18.7	5.2	2.5	9.7	18.7	...	...
	M2	1.1	-0.6	0.1	1.5	1.3	1.2	2.1	6.2	...	...
	Foreign-currency deposits	11.6	15.8	-1.5	-19.9	-20.6	-4.0	0.9	34.4	...	...
Barbados	Monetary base	-0.9	10.6	5.8	31.5	23.4	20.7	26.3	25.6	23.0	...
	Money (M1)	-20.3	5.5	9.4	14.1	24.0	12.9	13.7	10.6	...	...
	M2	-5.7	3.5	1.5	3.4	7.1	3.4	4.0	2.7	...	...
Belize	Monetary base	17.5	19.2	18.8	24.6	22.2	17.3	14.6	-1.7	-2.4	...
	Money (M1)	24.0	13.7	14.0	14.6	16.1	14.9	14.0	-1.9	-2.6 ^b	...
Dominica	Monetary base	17.8	0.0	15.0	19.1	21.0	19.1	46.3	72.4	88.3 ^d	...
	Money (M1)	9.8	2.5	2.2	7.8	12.7	18.2	21.1	20.4	9.2 ^d	...
	M2	7.0	4.5	6.5	4.3	5.1	6.0	6.7	6.1	5.1 ^d	...
	Foreign-currency deposits	25.4	-6.1	13.5	1.3	-14.7	10.7	-10.9	34.2	3.4 ^d	...
Grenada	Monetary base	4.7	5.4	21.1	6.1	11.9	0.7	0.7	2.1	0.2	...
	Money (M1)	2.9	5.4	24.1	20.6	17.1	11.8	9.3	6.7	3.7	...
	M2	1.8	3.0	5.2	3.7	3.0	1.6	1.4	0.9	0.3	...
	Foreign-currency deposits	5.5	-18.8	7.8	17.4	57.3	43.9	31.7	17.2	0.5	...
Guyana	Monetary base	15.2	6.6	2.5	14.3	15.9	14.4	9.4	14.7	12.3	9.1 ^c
	Money (M1)	16.1	6.7	10.1	7.9	4.6	4.4	8.8	10.6	11.1	...

Table A.28 (concluded)

		2012	2013	2014	2015	2016				2017	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Jamaica	Monetary base	6.3	6.3	5.9	9.9	15.3	15.7	16.1	14.9	30.9	20.1 ^c
	Money (M1)	4.7	5.9	5.0	15.7	21.7	15.4	26.1	26.0	25.0 ^d	...
	M2	3.3	6.4	2.6	9.9	14.6	11.5	17.9	17.6	23.2 ^d	...
	Foreign-currency deposits	6.8	28.5	9.2	15.6	17.9	23.8	36.1	31.6	36.1 ^d	...
Saint Kitts and Nevis	Monetary base	13.7	22.2	10.5	-14.5	14.4	18.2	19.4	11.4	-1.7 ^d	...
	Money (M1)	17.3	10.8	1.5	10.8	5.1	1.6	-2.2	-7.1	-7.5 ^d	...
	M2	8.6	4.5	6.4	5.9	4.0	1.2	-0.8	-3.5	-4.9 ^d	...
	Foreign-currency deposits	15.1	18.4	46.4	16.3	-9.2	-5.8	-5.2	-4.9	-2.5 ^d	...
Saint Lucia	Monetary base	4.2	8.0	8.0	25.2	6.9	4.8	0.4	-1.9	-5.8 ^d	...
	Money (M1)	3.2	2.2	7.1	3.0	1.2	3.4	10.2	11.3	12.1 ^d	...
	M2	3.7	3.5	-1.0	1.6	1.8	2.9	4.2	3.5	3.2 ^d	...
	Foreign-currency deposits	14.0	-10.1	45.0	20.1	29.5	16.2	6.7	-4.2	3.0 ^d	...
Saint Vincent and the Grenadines	Monetary base	11.8	26.2	16.9	8.3	19.4	19.8	10.5	4.6	0.9 ^d	...
	Money (M1)	-0.4	9.6	5.8	8.6	9.3	6.7	10.7	13.4	6.6 ^d	...
	M2	1.2	8.6	8.1	5.6	5.7	3.9	3.6	5.1	2.8 ^d	...
	Foreign-currency deposits	-7.3	28.9	15.8	17.6	9.2	10.9	13.5	-6.2	-0.2 ^d	...
Suriname	Monetary base	27.0	13.8	-7.2	-6.2	24.8	43.5	35.4	20.2	23.0	25.7 ^c
	Money (M1)	17.0	11.3	5.4	-5.1	6.4	22.2	20.7	11.8	13.4	...
	M2	20.0	17.7	8.1	-2.8	3.4	15.3	18.2	13.2	13.3	...
	Foreign-currency deposits	13.6	10.8	11.4	9.9	35.3	90.9	119.7	92.6	73.6	...
Trinidad and Tobago	Monetary base	15.4	19.5	8.0	-7.9	-7.0	-5.3	-12.5	-3.9	-5.4 ^d	...
	Money (M1)	15.4	19.2	19.8	0.0	0.1	2.3	-1.4	3.9	-1.4 ^d	...
	M2	12.0	11.8	11.6	3.8	2.5	4.1	1.2	3.6	0.6 ^d	...
	Foreign-currency deposits	4.7	12.6	-6.8	1.6	3.9	9.6	11.6	4.2	6.5 ^d	...

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

^a Figures as of May.

^b Figures as of January.

^c Figures as of April.

^d Figures as of February.

Table A.29

Latin America and the Caribbean: domestic credit
(Percentage variation with respect to the year-earlier period)

	2012	2013	2014	2015	2016				2017	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America										
Argentina	33.0	40.8	24.7	36.2	27.9	28.0	24.9	20.3	31.0	...
Bolivia (Plurinational State of)	22.7	21.6	17.6	16.7	18.8	18.8	18.0 ^b	...	...	...
Brazil	16.8	11.9	9.5	9.0	9.0	10.2	10.4	8.4	10.2	6.3 ^c
Chile	15.1	9.3	7.6	8.4	11.5	9.2	8.1	5.6	3.8 ^d	...
Colombia	15.7	13.8	12.2	16.6	9.1	10.3	7.4	7.0	7.0 ^d	...
Costa Rica	12.9	2.9	20.0	9.9	7.8	8.5	6.8	5.5	6.0	6.9 ^c
Dominican Republic	12.1	12.4	11.6	14.9	15.4	17.4	13.8	11.6	10.1	8.5 ^c
Ecuador	21.5	16.7	16.2	10.1	-1.0	2.8	7.0	13.6	15.2 ^d	...
El Salvador	9.6	5.5	9.5	7.3	8.9	8.7	8.6	6.3	4.3	3.9
Guatemala	11.3	12.6	12.0	12.0	10.4	6.7	3.3	4.0	3.9	...
Haiti	11.4	70.0	30.4	18.2	10.0	11.3	9.7	9.7	12.1	...
Honduras	18.0	9.6	6.8	7.9	4.5	4.7	6.5	7.8	2.5 ^e	...
Mexico	10.9	9.4	9.9	12.6	15.5	13.9	13.6	13.5	10.6	...
Nicaragua	21.6	21.4	11.3	13.4	13.7	12.8	13.8	12.3	13.0	...
Panama	18.1	12.9	15.4	6.4	15.3	12.4	13.6	13.3	7.7 ^e	...
Paraguay	28.4	20.8	12.0	26.0	18.6	8.9	1.3	-3.3	-4.7	-1.0 ^c
Peru	9.6	6.6	18.6	14.2	11.7	13.4	12.1	12.0	9.8	7.2 ^c
Uruguay	19.4	16.5	18.6	12.9	41.4	50.4	24.0	21.3	12.9	8.0 ^c
Venezuela (Bolivarian Republic of) ^f	56.1	61.9	63.8	74.5	94.4	92.2	90.7	117.1	132.0	...
The Caribbean										
Antigua and Barbuda	-3.0	-4.9	-0.4	-5.9	-17.4	-14.0	-8.0	-3.5	8.5 ^d	...
Bahamas	4.0	1.9	0.0	0.7	0.9	0.8	-0.2	1.3	...	...
Barbados	6.6	8.0	2.3	3.2	8.9	8.9	6.7	4.9	...	...
Belize	0.4	-2.6	-0.6	8.9	21.3	21.7	22.3	11.6	8.6	...
Dominica	7.6	7.7	1.7	-1.8	-17.5	-19.7	-27.5	-33.5	-36.2 ^d	...
Grenada	5.0	-2.1	-9.0	-10.2	-13.9	-10.2	-12.0	-8.3	-5.0 ^d	...
Guyana	40.1	26.3	16.0	11.3	14.0	15.4	10.8	5.9	11.7	7.1 ^c
Jamaica	11.7	16.0	14.2	-2.2	-3.2	5.8	6.8	9.5	17.3 ^d	...
Saint Kitts and Nevis	-6.8	-25.0	-18.7	-2.3	2.8	-4.0	-13.9	-16.7	-12.5 ^d	...
Saint Lucia	6.6	5.4	-3.1	-12.2	-7.3	-6.6	-3.5	-6.1	-6.3 ^d	...
Saint Vincent and the Grenadines	-1.0	6.5	3.5	5.4	2.7	0.3	-0.3	-1.3	-1.0 ^d	...
Suriname	10.3	23.5	21.5	23.5	36.2	48.8	43.8	10.6	14.9	8.8 ^c
Trinidad and Tobago	7.9	-20.4	-23.8	3.2	42.4	36.0	28.2	41.9	37.5 ^d	...

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

^a Figures as of May.

^b Figures as of September.

^c Figures as of April.

^d Figures as of February.

^e Figures as of January.

^f Credit granted by the commercial and universal banks.

Table A.30Latin America and the Caribbean: monetary policy rates
(Average rates)

	2012	2013	2014	2015	2016				2017	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina	12.8	14.6	26.7	27.0	30.8	32.3	27.3	24.7	24.8	26.3
Bolivia (Plurinational State of)	4.0	4.1	5.1	2.7	2.5	2.5	2.5	2.5	2.5	1.9 ^a
Brazil	8.5	8.4	11.0	13.6	14.3	14.3	14.3	13.9	12.5	10.6
Chile	5.0	4.9	3.7	3.1	3.5	3.5	3.5	3.5	3.2	2.6
Colombia	4.9	3.4	3.9	4.7	6.0	6.9	7.7	7.7	7.3	6.6
Costa Rica	5.0	4.4	4.9	3.5	1.8	1.8	1.8	1.8	1.8	3.1
Dominican Republic	5.8	5.3	6.3	5.4	5.0	5.0	5.0	5.5	5.5	5.8
Guatemala	5.2	5.1	4.6	3.3	3.0	3.0	3.0	3.0	3.0	3.0
Haiti	3.0	3.0	4.8	12.3	16.0	15.3	14.0	13.3	12.0	12.0 ^a
Honduras	6.6	7.0	7.0	6.5	6.3	5.7	5.5	5.5	5.5	5.5
Mexico	4.5	3.9	3.2	3.0	3.6	3.8	4.3	5.3	6.2	6.8
Paraguay	6.0	5.5	6.7	6.1	5.9	5.9	5.6	5.5	5.5	5.5
Peru	4.3	4.2	3.8	3.4	4.2	4.3	4.3	4.3	4.3	4.1
Uruguay ^b	8.8	9.3	...	...	...	...	...	...	...	...
Venezuela (Bolivarian Republic of)	6.4	6.2	6.4	6.2	6.5	6.5	6.5	6.5	6.5 ^c	...
The Caribbean										
Antigua and Barbuda	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Bahamas	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.0	4.0 ^d
Barbados	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0 ^c	...
Belize	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	...
Dominica	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Grenada	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Guyana	5.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0 ^d
Jamaica	6.3	5.8	5.8	5.5	5.3	5.2	5.0	5.0	5.0	...
Saint Kitts and Nevis	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Saint Lucia	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Saint Vincent and the Grenadines	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Trinidad and Tobago	2.9	2.8	2.8	4.1	4.8	4.8	4.8	4.8	4.8	4.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Figures as of May.^b As of June 2013, the interest rate was no longer used as an instrument of monetary policy.^c Figures as of February.^d Figures as of April.

Table A.31
Latin America and the Caribbean: representative lending rates
(Average rates)

	2012	2013	2014	2015	2016				2017	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America										
Argentina ^b	19.3	21.6	29.3	28.2	35.4	37.4	32.3	28.3	26.2	28.1 ^c
Bolivia (Plurinational State of) ^d	6.7	7.0	6.5	6.4	6.2	6.2	6.3	6.2	5.7	6.1 ^c
Brazil ^e	39.6	38.8	44.6	49.1	52.4	54.0	53.9	54.4	53.6	50.2 ^c
Chile ^f	13.5	13.2	10.8	9.3	9.9	10.0	10.6	11.0	13.2	12.2
Colombia ^g	13.7	12.2	12.1	12.1	13.7	14.8	15.3	15.1	15.0	14.5 ^c
Costa Rica ^h	19.7	17.4	16.6	15.9	15.4	14.7	14.2	14.3	14.2	14.1 ^c
Dominican Republic ^h	15.5	13.6	13.9	14.9	15.5	15.0	14.6	15.2	16.1	14.9 ^c
Ecuador ⁱ	8.2	8.2	8.1	8.3	9.0	8.9	8.6	8.4	8.1	8.1 ^c
El Salvador ^j	5.6	5.7	6.0	6.2	6.2	6.4	6.4	6.5	6.3	6.4 ^c
Guatemala ^h	13.5	13.6	13.8	13.2	13.1	13.1	13.1	13.1	13.1	13.1 ^c
Haiti ^k	19.4	18.9	18.6	18.8	18.9	22.1	18.6	19.2	18.0	18.0 ^c
Honduras ^h	18.4	20.1	20.6	20.7	19.8	19.5	19.1	18.9	19.7	...
Mexico ^l	28.6	27.9	28.6	28.5	27.9	27.5	27.0	27.3	28.1 ^m	...
Nicaragua ⁿ	12.0	15.0	13.5	12.0	11.8	12.0	11.3	10.7	11.1	13.1 ^c
Panama ^o	7.0	7.4	7.6	7.6	7.5	7.6	7.6	7.6	7.6	...
Paraguay ^p	16.6	16.6	15.7	14.4	16.4	16.0	15.3	14.8	15.7	...
Peru ^q	19.2	18.1	15.7	16.1	16.1	16.1	16.6	17.1	17.3	16.8 ^c
Uruguay ^r	12.0	13.3	17.2	17.0	18.0	18.5	17.1	16.8	17.1	16.5 ^c
Venezuela (Bolivarian Republic of) ^s	16.2	15.6	17.2	20.0	20.4	21.4	21.8	22.4	21.5	21.8 ^c
The Caribbean										
Antigua and Barbuda ^t	9.4	9.4	9.6	8.7	9.3	9.2	9.2	9.1	...	...
Bahamas ^u	10.9	11.2	11.8	12.3	11.8	12.5	12.9	12.7	11.9	11.5
Barbados ^t	7.2	7.0	7.0	6.9	6.8	6.7	6.7	6.7	6.7 ^v	...
Belize ^w	12.3	11.5	10.9	10.3	10.0	9.9	9.8	9.7	9.6	...
Dominica ^t	8.9	9.0	8.8	8.6	8.4	8.2	8.1	8.1	...	...
Grenada ^t	9.5	9.1	9.1	8.8	8.5	8.5	8.4	8.4	...	...
Guyana ^f	14.0	12.1	11.1	10.8	10.8	10.8	10.7	10.7	10.6	10.7 ^c
Jamaica ^w	18.6	17.7	17.2	17.0	16.9	16.5	16.3	16.2	16.1 ^v	...
Saint Kitts and Nevis ^t	8.5	8.4	8.8	8.5	8.4	8.4	8.5	8.6	...	...
Saint Lucia ^t	8.6	8.4	8.4	8.5	8.2	8.1	8.2	8.1	...	...
Saint Vincent and the Grenadines ^t	9.3	9.2	9.3	9.3	9.2	9.2	9.1	8.9	...	...
Suriname ^x	11.7	12.0	12.3	12.6	12.9	13.2	13.8	14.1	14.7	...
Trinidad and Tobago ^f	8.0	7.8	7.7	8.3	9.0	9.1	9.1	9.1	9.1	9.1

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

^a Figures as of May.

^b Local-currency loans to the non-financial private sector, at fixed or renegotiable rates, signature loans of up to 89 days.

^c Figures as of April.

^d Nominal local-currency rate for 60-91-day operations.

^e Interest rate on total consumer credit.

^f Non-adjustable 90-360 day operations.

^g Weighted average of consumer, prime, ordinary and treasury lending rates for the working days of the month.

^h Weighted average of the system lending rates in local currency.

ⁱ Effective benchmark lending rate for the corporate commercial segment.

^j Basic lending rate for up to one year.

^k Average of minimum and maximum lending rates.

^l Average interest rate for credit cards from commercial banks and the TAC rate (Total Annual Cost).

^m Figures as of February.

ⁿ Weighted average of short-term lending rates in local currency.

^o Interest rate on one-year trade credit.

^p Commercial lending rate, local currency.

^q Market lending rate, average for transactions conducted in the last 30 business days.

^r Business credit, 30-367 days.

^s Average rate for loan operations for the six major commercial banks.

^t Weighted average of lending rates.

^u Weighted average of lending and overdraft rates.

^v Figures as of January.

^w Rate for personal and business loans, residential and other construction loans; weighted average.

^x Average of lending rates.

Table A.32

Latin America and the Caribbean: consumer prices
(12-month percentage variation)

	2012	2013	2014	2015	2016				2017	
					March	June	September	December	March	May
Latin America and the Caribbean^a	5.7	7.5	9.4	16.5	...	...	...	...	...	...
Latin America and the Caribbean^b	4.9	5.0	6.3	7.9	8.3	8.9	8.4	7.3	6.6	5.4
Latin America										
Argentina	10.8	10.9	23.9	27.5	35.3	45.6	42.4	38.5	31.9	24.0
Bolivia (Plurinational State of)	4.5	6.5	5.2	3.0	3.3	4.2	3.5	4.0	1.7	1.2
Brazil	5.8	5.9	6.4	10.7	9.4	8.8	8.5	6.3	4.6	3.6
Chile	1.5	3.0	4.6	4.4	4.5	4.2	3.1	2.7	2.7	2.6
Colombia	2.4	1.9	3.7	6.8	8.0	8.6	7.3	5.7	4.8	4.4
Costa Rica	4.5	3.7	5.1	-0.8	-1.1	-0.9	0.4	0.8	1.6	1.7
Cuba ^c	2.0	0.0	2.1	2.8	...	...	...	...	...	...
Dominican Republic	3.9	3.9	1.6	2.3	1.6	1.9	1.4	1.7	3.1	3.1
Ecuador	4.2	2.7	3.7	3.4	2.3	1.6	1.3	1.1	1.0	1.1
El Salvador	0.8	0.8	0.5	1.0	1.1	0.9	1.0	-0.9	0.5	0.9 ^d
Guatemala	3.4	4.4	2.9	3.1	4.3	4.4	4.6	4.2	4.0	3.9
Haiti	7.6	3.4	6.4	12.5	14.8	13.9	12.5	14.3	14.3	14.6 ^d
Honduras	5.4	4.9	5.8	2.4	2.5	2.4	2.9	3.0	3.9	4.1
Mexico	3.6	4.0	4.1	2.1	2.6	2.5	3.0	3.4	5.4	6.2
Nicaragua	7.1	5.4	6.4	2.9	3.6	3.5	3.5	3.1	3.2	3.1
Panama	4.6	3.7	1.0	0.3	0.6	0.1	1.2	1.5	1.5	0.8
Paraguay	4.0	3.7	4.2	3.1	4.7	4.7	3.5	3.9	2.8	3.4
Peru	2.6	2.9	3.2	4.4	4.3	3.3	3.1	3.2	4.0	3.0
Uruguay ^c	7.5	8.5	8.3	9.4	10.6	10.9	8.9	8.1	6.7	5.6
Venezuela (Bolivarian Republic of)	20.1	56.2	68.5	180.9	...	...	...	...	...	...
The Caribbean										
Antigua and Barbuda	1.8	1.1	1.3	0.9	-0.1	-0.5	-0.7	-1.1	...	...
Bahamas	0.7	0.8	0.2	2.0	-1.4	-0.3	-0.4	0.8	...	...
Barbados	2.4	1.1	2.3	-2.5	0.0	0.8	2.4	3.2	...	...
Belize	0.8	1.6	-0.2	-0.6	0.0	0.9	0.7	1.1	...	...
Dominica	3.4	-0.4	0.5	-0.5	0.2	-0.4	0.8	1.6	...	...
Grenada	1.8	-1.2	-0.6	1.1	1.6	1.9	0.9	0.9	...	...
Guyana	3.4	0.9	1.2	-1.8	0.3	1.0	0.9	1.4	2.5	2.1 ^d
Jamaica	8.0	9.7	6.2	3.7	3.0	2.5	1.8	1.7	4.1	4.8 ^d
Saint Kitts and Nevis	0.5	0.6	-0.5	-2.4	-1.9	-3.1	0.0	0.0	...	...
Saint Lucia	5.0	-0.7	3.7	-2.6	-3.7	-4.1	-2.7	-3.0	...	...
Saint Vincent and the Grenadines	1.0	0.0	0.1	-2.1	-0.7	0.9	0.6	1.0	...	...
Suriname	4.4	0.6	3.9	25.2	36.6	57.5	73.4	49.2	38.9	30.9 ^d
Trinidad and Tobago	7.2	5.6	8.5	1.5	3.2	3.4	3.0	3.1	2.7	...

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

^a Weighted average.

^b Weighted average. Does not include the Bolivarian Republic of Venezuela.

^c Refers to national-currency markets.

^d Twelve-month variation to April 2017.

Table A.33
Latin America and the Caribbean: fiscal balances
(Percentages of GDP)

	Primary balance				Overall balance			
	2013	2014	2015	2016	2013	2014	2015	2016
Latin America and the Caribbean^a	-0.6	-0.3	-0.3	0.3	-2.9	-2.7	-2.7	-2.3
Latin America^b	-0.9	-1.0	-0.9	-1.0	-2.6	-2.8	-2.9	-3.1
Argentina	-1.3	-2.3	-1.9	-2.3	-2.5	-4.2	-3.7	-6.0
Bolivia (Plurinational State of) ^c	2.0	-1.7	-3.6	-2.4	1.4	-2.5	-4.5	-3.0
Brazil	1.4	-0.3	-1.9	-2.5	-2.6	-5.0	-9.0	-7.6
Chile	0.0	-1.0	-1.5	-2.0	-0.6	-1.6	-2.2	-2.7
Colombia	-0.1	-0.4	-0.8	-1.6	-2.3	-2.4	-3.0	-4.0
Costa Rica	-2.8	-3.0	-3.0	-2.4	-5.4	-5.6	-5.7	-5.2
Cuba	...	...	...	...	1.9	0.6	-0.5	...
Dominican Republic	-0.4	-0.1	0.3	0.5	-2.7	-2.6	-2.4	-2.3
Ecuador	-4.5	-4.9	-2.0	-3.6	-5.7	-6.3	-3.8	-5.6
El Salvador	0.6	0.8	1.3	2.1	-1.8	-1.6	-1.1	-0.4
Guatemala	-0.6	-0.4	0.1	0.4	-2.1	-1.9	-1.4	-1.1
Haiti ^d	-1.0	-0.5	0.3	0.8	-1.4	-0.9	0.1	0.6
Honduras	-5.8	-2.1	-0.6	-0.4	-7.9	-4.4	-3.0	-2.9
Mexico ^e	-0.5	-1.2	-1.3	-0.3	-2.3	-3.2	-3.5	-2.7
Nicaragua	1.0	0.6	0.3	0.4	0.1	-0.3	-0.6	-0.6
Panama	-1.9	-2.3	-2.1	-2.5	-3.8	-4.0	-3.9	-4.3
Paraguay	-1.4	-0.7	-1.1	-0.7	-1.7	-1.1	-1.8	-1.5
Peru	1.8	0.8	-1.1	-1.3	0.7	-0.3	-2.2	-2.4
Uruguay	0.9	0.0	-0.5	-1.0	-1.5	-2.3	-2.8	-3.7
Venezuela (Bolivarian Republic of)	1.1	1.1	...	...	-2.0	-1.9	...	...
The Caribbean^f	-0.1	0.6	0.8	1.2	-3.5	-2.8	-2.5	-2.1
Antigua and Barbuda	-2.4	-0.1	4.6	3.9	-4.5	-2.7	2.1	1.1
Bahamas ^g	-3.1	-1.7	-0.4	-2.6	-5.6	-4.4	-3.5	-5.7
Barbados ^{h,i}	-4.0	-0.6	-0.6	1.9	-11.0	-8.1	-8.2	-6.1
Belize ^h	0.9	-1.2	-5.1	-1.6	-1.7	-3.8	-7.5	-4.6
Dominica	-7.4	0.4	0.0	13.1	-9.4	-1.4	-1.8	11.3
Grenada	-3.4	-1.2	2.2	5.3	-6.5	-4.7	-1.2	2.4
Guyana	-3.4	-4.5	-0.4	-3.5	-4.4	-5.5	-1.4	-4.5
Jamaica ^h	7.8	7.6	7.4	8.1	0.1	-0.5	-0.3	-0.2
Saint Kitts and Nevis	17.0	13.9	8.2	6.5	13.2	10.5	6.2	4.9
Saint Lucia	-3.0	0.2	1.4	3.3	-6.8	-3.7	-2.4	-0.6
Saint Vincent and the Grenadines	-3.7	-0.7	0.3	2.6	-6.2	-3.0	-1.9	0.6
Suriname ^d	-3.2	-3.8	-8.1	-6.7	-6.0	-5.6	-10.2	-7.9
Trinidad and Tobago ⁱ	-1.2	-0.8	0.5	-2.9	-2.9	-2.6	-1.8	-5.0

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

^a Simple averages of the 33 countries that submitted reports. The Coverage corresponds to the central government.

^b Simple averages for 17 countries. Does not include the Bolivarian Republic of Venezuela, Cuba or the Plurinational State of Bolivia.

^c General government.

^d Includes statistical discrepancy.

^e Federal public sector.

^f Simple averages for 12 countries. Does not include Dominica.

^g Fiscal years, from 1 July to 30 June.

^h Fiscal years, from 1 April to 31 March.

ⁱ Non-financial public sector.

^j Fiscal years, from 1 October to 30 September.

Table A.34Latin America and the Caribbean: composition of tax revenue
(Percentages of GDP)

	Total tax burden		Social security contributions		Direct taxes		Indirect taxes		Other taxes	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Latin America and the Caribbean^a	21.3	...	2.3	...	6.8	...	11.9	...	0.3	...
Latin America^b	19.4	...	3.8	...	6.0	...	9.3	...	0.2	...
Argentina ^c	32.0	31.3	7.1	6.9	9.7	8.4	14.9	14.3	0.3	1.6
Bolivia (Plurinational State of) ^c	25.3	...	2.1	...	6.9	...	15.1	...	1.2	...
Brazil ^c	32.0	...	8.3	...	9.5	...	13.2	...	1.0	...
Chile	19.1	18.8	1.4	1.4	7.6	7.1	10.1	10.1	0.0	0.1
Colombia	17.1	16.1	2.5	2.5	8.1	7.6	6.4	5.9	0.0	0.0
Costa Rica ^c	23.0	23.4	8.6	8.8	5.7	5.9	8.5	8.6	0.2	0.1
Cuba ^c	41.2	...	5.3	...	11.9	...	21.5	...	2.5	...
Dominican Republic	13.5	13.7	0.0	0.0	4.5	4.7	8.9	8.9	0.0	0.0
Ecuador	20.6	18.8	5.0	4.7	4.9	3.8	10.5	8.7	0.1	1.5
El Salvador	16.9	17.5	1.8	2.0	6.0	6.3	8.4	8.5	0.6	0.8
Guatemala ^c	12.4	12.7	2.0	2.1	3.8	4.1	6.5	6.3	0.1	0.1
Haiti ^d	13.2	13.7	0.0	0.0	3.1	3.2	8.2	8.6	1.9	1.9
Honduras	19.9	21.6	2.7	3.0	5.7	6.3	11.5	12.3	0.0	0.0
Mexico	16.2	17.2	3.2	3.2	6.7	7.3	6.1	6.5	0.2	0.1
Nicaragua	20.9	22.0	5.3	5.6	6.2	6.6	9.5	9.7	0.0	0.0
Panama	15.3	15.8	5.8	6.1	4.8	5.2	4.5	4.5	0.1	0.1
Paraguay	14.2	13.8	1.4	1.3	2.8	2.7	9.8	9.0	0.2	0.8
Peru	17.1	15.9	2.1	2.1	6.4	6.5	9.6	9.0	-1.0	-1.6
Uruguay	25.6	26.0	7.3	7.4	7.2	7.9	11.1	10.8	0.0	0.0
Venezuela (Bolivarian Republic of)	...	...	...	...	...	...	...	...	...	...
The Caribbean^{e,f}	21.9	21.8	...	...	7.7	7.1	14.0	14.4	0.3	0.2
Antigua and Barbuda	17.0	16.6	...	...	2.9	2.4	14.1	14.2	0.0	0.0
Bahamas ^g	16.9	18.8	...	...	1.2	1.2	13.6	16.5	2.2	1.1
Barbados ^{h,i}	25.7	27.3	...	...	9.9	10.1	15.0	16.1	0.9	1.1
Belize ^h	24.5	27.3	...	...	7.4	7.9	17.1	19.5	0.0	0.0
Dominica	23.6	24.1	...	...	5.3	5.2	18.3	18.9	0.0	0.0
Grenada	20.0	22.0	...	...	4.7	5.4	15.2	16.6	0.0	0.0
Guyana	21.8	21.3	...	...	8.8	9.0	12.9	12.3	0.0	0.0
Jamaica ^h	25.2	27.3	...	...	9.9	10.3	15.2	17.0	0.0	0.0
Saint Kitts and Nevis	21.4	19.5	...	...	6.2	5.3	15.2	14.1	0.0	0.0
Saint Lucia	23.6	25.5	...	...	6.2	7.0	17.4	18.6	0.0	0.0
Saint Vincent and the Grenadines	22.3	24.2	...	...	8.0	9.8	14.3	14.5	0.0	0.0
Suriname	16.3	11.1	...	...	6.7	5.3	9.6	5.8	0.0	0.0
Trinidad and Tobago ^j	28.2	20.0	...	...	20.2	11.9	7.9	8.1	0.0	0.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.^a Simple averages of the 32 countries that submitted reports. Coverage corresponds to the central government.^b Simple averages for 17 countries. Does not include the Bolivarian Republic of Venezuela, Cuba or the Plurinational State of Bolivia.^c General government.^d Fiscal years, from 1 October to 30 September.^e Simple averages for 12 countries. Does not include Dominica.^f Does not include social security contributions.^g Fiscal years, from 1 July to 30 June.^h Fiscal years, from 1 April to 31 March.ⁱ Non-financial public sector.^j Fiscal years, from 1 October to 30 September.

Table A.35

Latin America and the Caribbean: public income and expenditure
(Percentages of GDP)

	Total income		Current expenditure		Interest payments on public debt		Capital expenditure		Primary expenditure	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Latin America and the Caribbean^a	23.2	23.1	25.8	25.3	21.3	21.1	2.4	2.5	4.5	4.2
Latin America^b	18.2	18.3	21.1	21.3	17.3	17.6	2.0	2.1	3.7	3.7
Argentina	20.7	20.3	24.5	26.3	21.7	24.2	1.8	3.7	2.7	2.1
Bolivia (Plurinational State of) ^c	36.1	31.4	40.6	34.4	26.8	22.2	0.9	0.6	13.7	12.2
Brazil	20.8	21.0	29.9	28.6	28.0	27.2	7.1	5.2	1.8	1.4
Chile	21.1	21.0	23.2	23.7	19.0	19.7	0.7	0.8	4.2	4.0
Colombia	16.2	14.9	19.2	18.9	16.2	16.9	2.2	2.5	3.0	2.0
Costa Rica	14.3	14.6	19.9	19.8	18.1	18.0	2.7	2.8	1.8	1.8
Cuba	35.7	...	36.2	...	31.7	...	...	...	4.1	...
Dominican Republic	14.5	14.7	16.9	17.0	14.1	14.3	2.7	2.8	2.8	2.8
Ecuador	20.3	18.6	24.1	24.1	14.5	14.5	1.8	1.9	9.6	9.6
El Salvador	15.9	16.4	17.0	16.8	14.4	14.2	2.4	2.5	2.6	2.6
Guatemala	10.8	11.0	12.3	12.1	10.1	10.0	1.6	1.5	2.2	2.1
Haiti ^d	13.5	14.4	12.6	13.1	11.2	11.9	0.2	0.3	1.4	1.2
Honduras	19.6	20.9	22.6	23.7	18.0	18.5	2.5	2.5	4.6	5.2
Mexico ^e	23.5	25.5	26.9	28.1	21.7	21.9	2.2	2.4	5.1	6.2
Nicaragua	17.8	18.7	18.4	19.3	13.9	14.7	0.9	1.0	4.5	4.6
Panama	13.9	13.9	17.8	18.2	11.5	11.5	1.8	1.8	6.3	6.7
Paraguay	18.7	18.3	20.5	19.7	16.4	15.4	0.6	0.7	4.1	4.3
Peru	20.5	19.1	22.7	21.5	17.1	16.7	1.0	1.1	5.5	4.8
Uruguay	27.2	27.9	30.0	31.6	28.8	30.3	2.3	2.7	1.2	1.4
Venezuela (Bolivarian Republic of)	...	...	...	...	...	...	...	...	...	...
The Caribbean^f	27.9	27.4	30.4	29.5	25.7	25.7	3.3	3.3	4.8	3.8
Antigua and Barbuda	23.8	25.0	21.7	23.9	20.3	20.7	2.5	2.8	1.4	3.2
Bahamas ^g	21.8	22.0	25.3	27.6	23.2	24.2	3.1	3.1	2.6	3.5
Barbados ^{h i}	29.3	30.3	37.5	36.4	34.9	34.0	7.6	8.0	2.7	2.4
Belize ^h	28.3	31.2	35.8	35.8	25.6	28.8	2.4	3.0	10.2	7.0
Dominica	31.0	49.6	32.8	38.3	26.9	27.3	1.8	1.9	5.9	11.0
Grenada	24.8	26.9	26.0	24.5	17.6	20.2	3.4	2.9	8.4	4.3
Guyana	25.7	26.0	27.2	30.5	22.5	23.9	1.0	0.9	4.7	6.6
Jamaica ^h	27.8	29.8	28.1	30.0	26.1	27.5	7.7	8.3	2.0	2.5
Saint Kitts and Nevis	40.2	34.7	34.0	29.7	27.0	26.5	2.0	1.6	7.0	3.2
Saint Lucia	26.2	27.4	28.6	28.0	23.0	24.2	3.8	3.9	5.7	3.8
Saint Vincent and the Grenadines	28.8	29.8	30.7	29.2	25.8	25.8	2.3	2.1	5.0	3.4
Suriname ^d	20.4	15.0	30.0	23.0	27.4	20.6	1.5	1.3	2.6	2.4
Trinidad and Tobago ^j	38.1	30.8	39.9	35.8	34.8	32.6	2.3	2.1	5.1	3.2

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

^a Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.

^b Simple averages for 17 countries. Does not include the Bolivarian Republic of Venezuela, Cuba or the Plurinational State of Bolivia.

^c General government.

^d Includes statistical discrepancy.

^e Federal public sector.

^f Simple averages for 12 countries. Does not include Dominica.

^g Fiscal years, from 1 July to June 30.

^h Fiscal years, from 1 April to March 31.

ⁱ Non-financial public sector.

^j Fiscal years, from 1 October to September 30.

Table A.36

Latin America and the Caribbean: non-financial public sector
(Percentages of GDP)

	2009	2010	2011	2012	2013	2014	2015	2016
Latin America and the Caribbean^a	50.6	51.1	50.4	51.9	53.3	53.8	55.0	56.2
Latin America^a	33.2	32.4	31.0	32.2	34.1	35.6	38.4	40.6
Argentina ^b	39.6	36.1	33.3	35.1	43.5	44.7	53.5	54.2
Bolivia (Plurinational State of) ^c	39.5	38.1	33.7	31.3	30.4	30.0	31.6	33.1
Brazil ^d	60.9	53.6	50.8	55.3	56.7	58.9	66.5	69.9
Chile	12.1	14.7	17.8	18.9	20.5	24.2	27.6	30.7
Colombia	45.1	46.2	43.1	40.7	43.1	46.0	50.1	54.8
Costa Rica	34.0	35.7	37.1	41.5	44.2	47.3	49.2	54.8
Dominican Republic ^e	27.1	27.6	28.8	32.2	38.1	37.2	35.9	37.9
Ecuador	16.3	19.6	13.1	12.9	14.7	18.3	21.2	27.8
El Salvador	45.2	45.1	44.1	47.9	46.3	46.7	47.0	47.1
Guatemala	23.3	24.4	23.9	24.5	24.7	24.5	24.3	24.1
Haiti ^f	34.3	22.8	23.9	28.0	30.5	35.1	39.0	36.9
Honduras ^g	23.9	30.4	32.5	34.4	43.1	44.4	44.6	45.5
Mexico ^g	34.3	31.7	34.4	33.9	36.8	40.1	44.2	47.9
Nicaragua	34.2	34.8	32.6	32.2	31.5	30.7	30.4	32.1
Panama	45.4	43.0	37.3	35.7	35.5	37.1	38.8	39.1
Paraguay	16.8	14.9	11.5	14.2	14.4	17.6	20.0	23.0
Peru	23.7	23.5	22.1	20.4	19.6	20.1	23.3	23.8
Uruguay	49.4	43.5	43.4	45.7	41.5	44.6	52.5	51.3
Venezuela (Bolivarian Republic of) ^g	25.2	29.0	25.1	27.5	32.9	28.5	29.6	36.7
The Caribbean^a	76.1	78.6	78.7	80.7	81.4	80.3	79.4	79.2
Antigua and Barbuda	95.7	87.1	92.2	86.5	99.9	98.2	83.9	81.5
Bahamas ^e	50.2	54.3	55.4	59.6	65.6	72.9	75.3	77.9
Barbados	76.0	88.1	93.9	96.6	106.5	110.1	108.7	103.6
Belize	82.2	72.3	70.7	72.8	78.5	75.6	78.8	89.1
Dominica	66.4	73.1	67.5	77.6	76.7	75.0	78.6	71.7
Grenada	90.0	91.8	98.7	103.5	103.4	96.8	88.1	82.5
Guyana	67.0	68.0	66.7	63.6	58.1	51.8	48.7	47.3
Jamaica	126.3	131.7	131.4	133.9	135.5	131.8	128.1	128.0
Saint Kitts and Nevis	142.0	151.4	140.1	137.4	99.4	77.5	67.0	62.1
Saint Lucia	64.0	65.5	68.6	74.4	77.4	77.3	76.3	79.8
Saint Vincent and the Grenadines	64.7	66.7	69.9	68.6	71.4	79.9	80.9	81.6
Suriname ^e	15.7	18.6	20.1	21.6	29.9	26.8	42.8	47.2
Trinidad and Tobago	49.0	52.9	48.0	53.2	56.2	70.6	74.4	77.2

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

^a Simple averages.

^b National public sector.

^c Refers to the external debt of the non-financial public sector and central government domestic debt.

^d General government.

^e Central government.

^f Does not include public sector commitments to commercial banks.

^g Federal public sector.

Table A.37

Latin America and the Caribbean: central government gross public debt
(Percentages of GDP)

	2009	2010	2011	2012	2013	2014	2015	2016
Latin America and the Caribbean^a	45.2	45.3	45.4	47.1	48.5	49.3	50.7	52.3
Latin America^a	30.7	29.4	28.8	30.0	31.8	33.0	35.5	37.3
Argentina ^b	39.6	36.1	33.3	35.1	43.5	44.7	53.5	54.2
Bolivia (Plurinational State of)	36.3	34.6	34.5	29.1	28.4	27.7	29.5	31.5
Brazil ^c	59.6	52.0	50.8	55.3	56.7	58.9	66.5	69.9
Chile	5.8	8.7	11.1	12.0	12.8	15.0	17.4	21.3
Colombia	38.1	38.7	36.5	34.6	37.2	40.0	43.9	43.7
Costa Rica	26.5	28.4	29.8	34.3	36.0	38.9	40.9	44.9
Dominican Republic	27.1	27.6	28.8	32.2	38.1	37.1	35.2	37.0
Ecuador	10.7	11.5	12.1	11.9	13.6	16.2	19.1	25.2
El Salvador	42.6	42.6	41.7	45.7	44.0	44.4	44.3	44.3
Guatemala	22.8	24.0	23.7	24.3	24.6	24.3	24.2	24.0
Haiti ^d	34.3	22.8	23.9	28.0	30.5	35.1	39.0	36.9
Honduras	23.9	30.4	32.5	34.4	43.1	44.4	44.6	45.5
Mexico	27.2	27.2	27.5	28.2	29.8	31.7	34.1	35.9
Nicaragua	32.3	33.3	31.9	31.5	30.8	30.2	29.9	30.7
Panamá	40.7	39.6	36.7	35.2	35.0	36.8	38.5	38.8
Paraguay	13.9	12.1	9.8	12.6	13.0	15.8	17.6	20.1
Peru	22.8	20.7	18.4	18.3	17.3	18.2	20.1	21.1
Uruguay	53.3	39.9	38.4	40.2	36.9	39.2	47.4	47.1
Venezuela (Bolivarian Republic of)	25.2	29.0	25.1	27.5	32.9	28.5	29.6	36.7
The Caribbean^a	66.4	68.6	69.7	72.0	72.9	73.1	72.9	74.2
Antigua and Barbuda	80.8	74.3	77.1	71.9	77.7	82.4	70.0	68.7
Bahamas	50.2	54.3	55.4	59.6	65.6	72.9	75.3	77.9
Barbados	63.2	71.9	78.0	83.9	96.4	100.1	105.2	108.2
Belize	82.2	72.3	70.7	72.8	78.5	75.6	78.4	88.6
Dominica	53.1	56.7	54.6	64.6	64.2	62.3	67.2	61.1
Grenada	80.9	84.2	87.8	93.2	94.3	89.5	82.2	77.8
Guyana ^e	67.0	68.0	66.7	63.6	58.1	51.8	48.7	47.6
Jamaica ^e	126.3	131.7	131.4	133.9	135.5	131.8	128.1	128.0
Saint Kitts and Nevis	105.5	113.8	114.1	108.7	76.9	64.8	54.0	50.3
Saint Lucia	51.2	54.4	61.0	68.1	71.9	73.0	72.5	76.7
Saint Vincent and the Grenadines	51.0	55.6	58.5	57.1	59.1	68.3	69.2	74.4
Suriname	15.7	18.6	20.1	21.6	29.9	26.8	42.8	47.2
Trinidad and Tobago	35.9	36.1	30.9	37.1	39.1	51.2	53.5	57.9

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

^a Simple averages.

^b National public sector.

^c General government.

^d Does not include public sector commitments to commercial banks.

^e Public sector.

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