2020

Economic Survey
of Latin America and the Caribbean

Main conditioning factors of fiscal and monetary
policies in the post-COVID-19 era

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Explanatory notes

- Three dots (...) indicate that data are not available or are not separately reported.
- A dash (-) indicates that the amount is nil or negligible.
- A full stop (.) is used to indicate decimals.
- The word "dollars" refers to United States dollars unless otherwise specified.
- A slash (/) between years (e.g. 2013/2014) indicates a 12-month period falling between the two years.
- Individual figures and percentages in tables may not always add up to the corresponding total because of rounding.

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Introduction

This edition, No. 72 of the *Economic Survey of Latin America and the Caribbean*, analyses the effects and challenges of the coronavirus disease (COVID-19) pandemic for the region during 2020 and the outlook that is taking shape for the years to come. This study is divided into three parts. Part I outlines the region's economic performance in 2019, then analyses the first six months of 2020 and the outlook for the remainder of the year. The external and internal impacts of the responses to the pandemic are examined, as are their effects on the region's economic performance, focusing on growth patterns, the global economy, fiscal and monetary matters, labour markets and prices. An analysis is also provided of macroeconomic policies and the challenges they must address in the context of a sharp contraction, a slow recovery and heightened economic uncertainty given the unpredictable nature of the pandemic.

Part II of the *Economic Survey* describes the greater financial vulnerability that will exist in the world and the region once the COVID-19 pandemic has abated, and will act as the backdrop for the subsequent economic recovery. The report analyses the main constraints on fiscal and monetary policies in Latin America and the Caribbean in this new context.

The first section of this part focuses on the fact that the crisis triggered by COVID-19 erupted in an international economic context of record levels of global debt, which topped 322% of global GDP by the end of 2019. The impact of the COVID-19 crisis on global liquidity and the fiscal packages implemented by governments in response to it have, together, increased the burden of debt in the world economy. Moreover, this debt is being accumulated in a period of vulnerability for non-financial and financial corporations. The financial system has been showing signs of weakness, despite the changes it has undergone as a result of the measures and regulations applied in the wake of the global financial crisis, which increased its resilience somewhat. Financial institutions are therefore facing plunging profits and income, potentially leading to credit and liquidity crunches in the future. Furthermore, the non-banking system, which has taken on a more important role since the global financial crisis, is also facing a decline in earnings, driving it to pursue riskier credit profiles.

The second and third sections of part II analyse the conditioning factors of fiscal and monetary policies in the region, both today and after the COVID-19 pandemic. Economic policymakers in Latin America and the Caribbean face a number of challenges, such as preventing economic collapse through policies to stimulate aggregate demand; managing the pressure on foreign-exchange and monetary systems generated by the external shock; and administering capital flows properly to make fiscal and monetary policies more effective, all while addressing economies' external vulnerabilities.

Faced with an emergency of historic proportions such as the COVID-19 crisis, policymakers have acted pragmatically and decided to draw on all available tools (conventional and unconventional) to respond to the pandemic and mitigate its effects on the real and financial sectors. The key economic policy tasks in the post-pandemic period will be to build welfare states, strengthen productive development and implement policies to promote environmental sustainability; austerity policies are therefore not the appropriate response to the fiscal and monetary challenges posed.

The region should seize this moment to embark on a different development path, in line with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development. The analysis in these sections shows that, to maintain macrofinancial stability, economic authorities must regulate financial flows and apply macroprudence to reduce the possibility of the systemic risk created by the COVID-19 pandemic being

exacerbated by a crisis that undermines the sustainability of the region's economies. National efforts should be accompanied by greater mobilization of external resources, through access to concessional financing sources, both in international markets and from international financial institutions. In this regard, international cooperation will play a vital role in coordinating the various parties and thus increasing the effectiveness of those efforts.

Part III of the *Economic Survey* may be accessed on the website of the Economic Commission for Latin America and the Caribbean (www.cepal.org/en). It contains the notes on the economic performance of the countries of Latin America and the Caribbean in 2019 and the first half of 2020, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 24 July 2020.

Executive summary

A.   The economic situation and outlook for 2020

The health crisis caused by the coronavirus disease (COVID-19) pandemic has also produced the worst economic and social upheaval in recent decades around the world and in the economies of Latin America and the Caribbean. At the time of writing, several countries of the region have become the epicentre of the COVID-19 pandemic and the region's GDP growth rate is expected to drop by 9.1%, while steep rises are forecast in the poverty rate, which will reach 37.3%, in the unemployment rate, to around 13.5%, and in inequality (ECLAC, 2020b).

Prior to the pandemic, the region already had low growth rates (averaging 0.4% between 2014 and 2019) and increasing social and macroeconomic vulnerabilities, in addition to a very unusual combination of external and domestic supply and demand shocks. All this suggests that the recovery will be slow and that the economic and social costs of this crisis could continue to rise throughout 2020 and 2021. In fact, the region's per capita gross domestic product (GDP) in 2020 is expected to be equivalent to that of 2010, and the poverty rate could reach levels last seen in 2006, meaning that a decade will be lost in economic terms and almost a decade and a half in social terms.

This is, undoubtedly, the worst economic and social crisis that the region has experienced in several decades and it has exposed structural weaknesses in its economies. While several countries have made significant fiscal and monetary efforts to mitigate the social and economic consequences of the pandemic, in some countries these have been limited by the availability of and access to financing, fiscal restrictions and external constraints. In turn, the effects of the pandemic have been magnified as a result of the fragility of health and social protection systems in the countries of the region, and the high level of informality in the labour markets.

Clearly, the countries of the region will have to reinforce their short-term policies to mitigate the social and productive costs of the pandemic, which will require greater fiscal and monetary stimuli. However, as discussed below, in order to move towards a sustained economic recovery that can support the construction of a welfare state and the strengthening of the productive sector, expansionary fiscal and monetary policies will need to be pursued. This means that tax revenues will need to be permanently increased by moving towards more progressive tax systems with greater collection capacity, sustainable debt trajectories generated, and spending effectiveness and efficiency improved. On the monetary policy side, the authorities will have to continue to have recourse to some of the unconventional instruments that have been implemented during the crisis.

Despite the fiscal and monetary measures that many countries of the region have adopted, aggregate demand —particularly consumption and investment— has plummeted in 2020. The slump in economic activity not only reflects the effects of supply and demand shocks, but is also taking place in a context of low productivity and stagnant or negative growth, which does little to boost medium-term economic growth or undermines efforts to move towards inclusive and sustainable recovery and reconstruction. The sharp fall in GDP in 2020 will lead to a deterioration of the labour market, with an increase in informal employment and an expected unemployment rate of around 13.5%.

The global economic downturn and the fall in aggregate demand have negatively affected the countries of the region. The COVID-19 pandemic has pushed the global economy into the worst recession since the Second World War and has led to the largest percentage of countries slipping into recession at the same time (90%) since records began. Global GDP is projected to fall by 5.2% in 2020, with developed economies

contracting by 7% and emerging economies by 1.6%. In the United States and the eurozone, GDP is projected to drop by 6.5% and 8.7%, respectively. In both cases, the economic recovery processes that began at the end of April following the gradual reopening of the economies could be at risk in light of the resurgences of the disease. In the group of emerging countries, growth of just 1% is currently projected for China, its lowest rate in over 40 years. The latest activity indicators available for China show that the worst of the contraction appears to be over and that, after a year-on-year fall of 6.8% in the first quarter, GDP returned to positive growth (3.2%) in the second quarter.

According to the World Trade Organization (WTO), world merchandise trade volume is expected to plunge by between 13% and 32% in 2020. However, the services sector is bearing the brunt of the collapse in trade; for example, the drop in tourism will be considerable, plummeting by as much as 80% this year, according to the World Tourism Organization (UNWTO).[1]

In line with the aggregate demand trend in the global economy, commodity prices are expected to tumble, which will have a negative impact on the terms of trade of the region's countries that export these products. In the case of oil, the average West Texas Intermediate (WTI) price projected for 2020 is US$ 37.60 per barrel, 34% below the 2019 average price. Meanwhile, the prices for agricultural products, which were less affected by the crisis, are expected to fall slightly by almost 2%, and those for metals and minerals are projected to dip by just 0.1%, but with wide variation within this category, as prices for industrial metals, such as copper, decrease, offset by a rise in safe haven investments, such as gold, which has climbed 28% since the beginning of 2020 (to 24 July).

The fiscal and monetary measures that have been implemented by the major governments and central banks at the global level have produced the improvements in international financial conditions that have been observed since the third week of March.

In addition to cutting its policy rate by 1.5 percentage points (to a range of 0%–0.25%) over the year thus far, on 19 March, the United States Federal Reserve entered into dollar liquidity swap lines with various major central banks around the world and established a repurchase agreement (repo) facility for a number of others. Around the same date, the European Central Bank (ECB) announced the launch of a new quantitative easing programme, the Pandemic Emergency Purchase Programme (PEPP), with an overall envelope of 750 billion euros and, on 23 March, the Federal Reserve announced that its quantitative easing would be open-ended, with bond purchases "in the amounts needed". The expansionary monetary policies announced by the Federal Reserve and ECB, as well as the central banks of other developed countries such as the Bank of Japan and the Bank of England, have been applied more quickly and on a larger scale in this crisis than in the 2008–2009 global financial crisis and have produced the largest monetary expansion in history.

Another two major announcements were made in early June: that of the European Union regarding a 750-billion-euro fiscal stimulus package (Next Generation EU), which was finally agreed upon in July and constitutes the largest stimulus plan in the history of the bloc, and that of ECB regarding the extension of PEPP by 600 billion euros, to a total of 1.35 trillion euros in asset purchases, equivalent to 11% of eurozone GDP.

As at 24 July, financial volatility, as measured by the VIX index, has eased significantly, the dollar had depreciated against a basket of reference currencies (9% since 23 March) and the MSCI global stock index was 43% above its level of 23 March. Capital outflows from emerging economies have also been reversed and, since April, there have been net portfolio inflows to these economies. All this notwithstanding, there is a disconnect between these trends and the real economy; given that the pandemic is not over, a high

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[1]   UNWTO, "International tourist numbers could fall 60–80% in 2020, UNWTO reports", 7 May 2020 [online] https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020.

level of economic uncertainty remains. If new COVID-19 outbreaks force governments to maintain —or, in some cases, reimpose— lockdown measures and the recession lasts longer than expected, this could lead to a new risk-off phase, with the ensuing negative effects on the economies of emerging countries. Should this scenario arise, the emerging countries would be even more vulnerable, given that the higher levels of debt could become unmanageable for some firms or even governments in a context of falling economic activity.

Debt accumulation has been outpacing global income growth and had already reached record levels by the end of 2019 (US$ 255 trillion, more than 320% of global GDP). The increase in debt has been accompanied by laxer borrowing requirements and a greater appetite for risk among investors seeking higher returns. Much of the debt accumulated since the global financial crisis has been in the non-financial corporate sector, where the disruption of supply chains and reduced global growth has led to poorer performances and greater difficulty in repaying the debt.[2]

Against this global backdrop, current account deficits could be reduced this year if the decline in repatriated earnings and improvement in asset balances continue. The trade balance is expected to improve as a result of a greater contraction in imports than exports, combined with the fact that the repatriation of profits remains depressed. Exports of goods are expected to fall 23% owing to the contraction in trading partners' economic activity and the halt in production, while the value of imports will shrink by 25%, following the sharp drop in activity and income.

In the context of the region's worsening average terms of trade, that are projected to decline 4.7%, the hydrocarbon-exporting economies will be hit the hardest, while food and metal exporters will be less affected. The worst affected subregion will be South America, where the terms of trade will drop by nearly 8%, while those of Central America will improve slightly (0.4%) and those of the Caribbean —excluding Trinidad and Tobago— will be up by 6.3%, mainly because it is as net energy importer.

Remittances are central to the economies of many countries of the region and have been negatively affected as a result of the crisis in the emitting economies. The consequences of this in terms of unemployment and poverty among migrants and their families in their countries of origin will take years to return to pre-pandemic levels. The countries most dependent on remittances are among those with the lowest per capita income of the region, such as Haiti (where inflows account for 33% of GDP), El Salvador and Honduras (where they account for 20%).

Tourism is one of the sectors that has been hit hardest by the crisis; international tourist arrivals fell in the first five months of the year by around 45% in South America, 45% in Central America, 34% in Mexico and 50% in the Caribbean, compared with the same period in 2019. Caribbean countries are the most exposed of the region (the tourism economy accounts for around 35% of GDP), followed by the Central American countries (about 10% of GDP). The weight of tourism in total employment in these countries is even greater, which will have profound consequences for unemployment, household income and poverty levels.

With regard to finance, the COVID-19 pandemic initially caused a significant drop in financial flows (excluding foreign direct investment (FDI)) to the region, but they have rallied significantly since then. The initial fall was even steeper than that which occurred in the first months after the beginning of the 2008–2009 global financial crisis. However, an equally rapid recovery process began in late April and early May. This occurred in parallel with the recovery in flows to emerging markets in general and was partly a response to the robust monetary and fiscal policy measures that have

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[2]   Economic Commission for Latin America and the Caribbean (ECLAC), "Addressing the growing impact of COVID-19 with a view to reactivation with equality: new projections", *COVID-19 Special Report*, No. 5, Santiago, July 2020.

been implemented by the central banks of the United States and the European Union since the second half of March. These measures have also led to a reduction in demand for dollar-denominated funds and improvements in the region's stock market indices.

The uncertainty caused by the pandemic increased the sovereign risk of Latin American countries, but this trend also began to be reversed from April onward, in line with what was happening in international financial markets. By the third week of July, Latin America's sovereign risk, as measured by the Emerging Market Bond Index Global (EMBIG), was around 500 basis points (after peaking at just over 700 points at the end of March).

Bond issuances in international markets by Latin American and Caribbean countries totalled US$ 88.691 billion between January and June 2020, 56% higher than the figure registered in the same period of 2019. This increase is mainly explained by the US$ 15.3 billion rise in sovereign bond issuances in that period. Since March 2020, 11 countries of the region have succeeded in placing sovereign debt under favourable conditions. In total, US$ 24.812 billion has been issued, with rates fluctuating between 2.5% and 5.6% for 10-year bonds, and an oversubscription rate that is several times higher than the issued amount.

With regard to economic activity, despite the fact that the pandemic began to affect the region directly at the end of March, there was already evidence of an economic contraction in 9 of the 20 economies of Latin America, and slowdowns in 8 in the first quarter of 2020. As a result, Latin America entered an economic recession in the first quarter, with a contraction of 1.53%.

At the subregional level, in the first quarter of 2020 there was a year-on-year drop in economic activity both in South America and in Mexico and Central America. This occurred despite the different characteristics of the economies of South America compared to those of Mexico and Central America, as the former specialize in the production of commodities, particularly oil, minerals and food, while the latter are mainly linked to growth in the United States. Regardless of specialization and trading partners, both subregions and all the countries within them have been severely affected by the widespread contraction in external demand, as well as by the domestic effects of the health measures adopted to contain the pandemic, which have resulted in falls in domestic demand and limitations on the production of non-essential goods and services.

The contraction in regional GDP is explained both by the sharp drop in each component of domestic demand and by lower external demand. Moreover, health measures have been in place since mid-March to contain the COVID-19 pandemic, which have led to the partial or total shutdown of goods production and services in various economic sectors of the countries. This has resulted in shifts in firm's income flows and investment decisions, which is affecting employment and, by extension, consumption decisions, as people see their incomes fall.

The depth of the downturn in April and May 2020 confirms the gloomy outlook for economic activity this year and suggests that the return to growth will be slower than expected, both because of the difficulties in controlling the pandemic, which hinder the reopening and reactivation of productive activities, and lower aggregate demand as a result of the fall in private consumption and investment, and a significant drop in exports.

The economic and employment situation in Latin America and the Caribbean was already stagnant in 2019, with an average unemployment rate of 8.0%, or approximately 25.7 million people. Informal work is very high in the region, affecting some 158 million workers, equivalent to 54% of the total number of employed.

Labour markets have been particularly affected by the paralysis of productive activities caused by the lockdown measures needed to tackle the COVID-19 which have been in force since mid-March. Although the employment relationship has been able to be

maintained in some activities through remote working, this applies to a relatively low proportion of workers in the region, where it is estimated that on average only 23% of workers are in occupations that allow home-based work.[3]

The countries of the region have implemented many measures to protect employment, including early annual leave or a reduction in hours or pay. Available information shows a jump in absenteeism; for example, in Chile, the proportion of the employed absent from work but receiving pay represented 15.4% of all those employed between March and May 2020, up 149.8% compared to the same period in 2019 There was also an increase in underemployment. In Mexico, the hourly underemployment rate increased from 7.8% in May 2019 to 29.9% in May 2020 and, in Costa Rica, it rose from 9.5% between March and May 2019 to 17.5% in the same period in 2020. Without the measures, the impact on the employment rate would have been more evident. The fall in employment has been larger in urban areas. Compared to 2019, the unemployment rate is projected to increase by at least 5.5 percentage points in 2020, with an average rate of 13.5% for the region.

The outbreak of the COVID-19 pandemic has led to the reformulation of fiscal policy objectives in Latin America and the Caribbean. Given the magnitude of the crisis, countries have reacted quickly by adopting large-scale fiscal policy packages to mitigate the impact of the pandemic on the health sector, families and businesses.

The drop in economic activity has had a negative impact on tax revenues, which have fallen sharply in many countries of the region. Monthly figures show that in some cases value added tax (VAT) revenues —closely linked to private consumption— have fallen by up to 40% year-on-year in real terms. Similar contractions have been observed in income tax receipts. The decline in tax revenues is the result of not only the paralysis of economic activity, but also the tax relief measures implemented in the region. Tax revenues from non-renewable natural resources have also lost ground as international prices have fallen, particularly the price of crude oil. At the same time, there has been a hike in public expenditure, with substantial increases in the budget ceilings.

Latin America is facing its biggest fiscal challenge since the public debt crisis of the early 1980s. The fiscal efforts made by the countries in the context of the crisis are expected to push average public spending up to 25.4% of GDP in 2020, compared to 21.7% in 2019. At the same time, total revenues are projected to contract from 18.5% of GDP in 2019 to 17.0% of GDP in 2020, owing to the drop in tax revenues as a result of the economic slowdown and the adoption of tax relief measures.

In this scenario, the region's fiscal position is expected to weaken during 2020. The estimates presented in this edition of the *Economic Survey* suggest that, in 2020, the global balance of the central governments of Latin America will lead to the largest deficit since 1950, -8.4% of GDP. The last time the region recorded a similar global deficit was in 1982, when it was -6.1% of GDP. Meanwhile, the primary deficit, which had been reduced in recent years, is expected to rise again in 2020, widening to -5.5% of GDP. As a result, the greater financing needs are expected to push central governments' gross public debt for the Latin American countries up by an estimated 9.3 percentage points of GDP.

With regard to inflationary pressures, inflation decreased significantly in the first six months of 2020, particularly since March, when the COVID-19 pandemic hit the region. This reaffirms the downward trend that began in 2015.[4]

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[3] International Labour Organization (ILO), "Impact of lockdown measures on the informal economy", *ILO Brief*, April 2020.
[4] The regional and subregional averages do not include Argentina, the Bolivarian Republic of Venezuela and Haiti because of the chronic inflation in those countries (F. Pazos, "La inflación crónica en América Latina", *Medio Siglo de Política Económica Latinoamericana*, Caracas, Academia Nacional de Ciencias Económicas, 1979). If the data for those countries were taken into account, the representativeness of the regional inflation trends would be affected.

Inflation is at historically low levels for a large group of countries of the region. At the end of June 2020, 23 economies of the region posted year-on-year inflation below 3%, which is 4 more countries than in June 2019. That is the largest number of countries with inflation of less than 3% in June since 2006.

The patterns of regional inflation in 2019 and the first six months of 2020 were driven by very different trends in core inflation (downward) and food price inflation (upward). In 2019, the largest year-on-year increase was in regional average food price inflation, which climbed from 3.2% in 2018 to 4.1% in 2019. That component of the consumer price index (CPI) basket rose again in the first half of 2020, taking regional average inflation at 4.4%.

As in 2019, tradable inflation has been higher than non-tradable. The year-on-year inflation rate for tradable goods was 2.9%, whereas for non-tradables it was 1.1%. The greater fluctuations in the exchange rate in the first half of 2020 drove up the prices of tradable goods, while lockdown measures and the sharp contraction in demand were the main reasons for the marked downturn in inflation in the case of non-tradables.

In order to tackle the consequences of the COVID-19 pandemic, support fiscal efforts and buoy aggregate domestic demand, the central banks of the region have implemented expansionary monetary policies, while adjusting macroprudential rules to prevent an abrupt deterioration of loan portfolios, to increase loan-loss provisions and to bolster the balance sheets of financial institutions. These changes in macroprudential regulations, which are also aimed at preserving the region's macrofinancial stability, have included increased interventions in currency markets, modifications of bank reserve requirements, swap arrangements with central banks in other regions and the activation of lines of credit with international agencies.

The magnitude of the crisis caused by the pandemic, low inflation rates, the deterioration in the population's socioeconomic conditions and the need to stave off a credit and financial crash, monetary authorities have had to adopt a much more pragmatic approach, including conventional and unconventional measures, such as buying up large amounts of different financial institutions' assets and, in some cases, providing financing directly to the Treasury by transferring international reserves or buying public securities on the primary market.

Conventional policy measures include lowering the monetary policy rate; for example, in the cases of Chile and Peru, the policy rates were set at 0.5% and 0.25%, respectively.

In economies of the region where the main policy instrument is the controlling the growth rate of monetary aggregates (Argentina, Haiti, the Plurinational State of Bolivia and Uruguay, the dollarized economies —Ecuador, El Salvador and Panama— and the non-Spanish-speaking Caribbean economies, with the exception of Jamaica) the authorities have also worked to spur demand, by boosting growth of the monetary base and lowering reserve requirements.

These expansionary monetary policies have pushed lending rates downwards and there has been a slight recovery in credit to the private sector. In the first half of 2020, lending rates were lower in 18 countries, with an average decrease of 2.6 percentage points and the largest reduction being observed in Argentina (22.3 percentage points). Meanwhile, lending rates rose in 7 countries during the first quarter of 2020, where the average increase was 0.18 percentage points, with the largest upswing in El Salvador (0.55 percentage points).

The exchange rates of the countries of the region fluctuated sharply during the first half of 2020. The half-yearly indicator for exchange-rate volatility, based on average intraday variations (in absolute values) in that period, has reached its highest levels since, at least, 2015 in almost all the countries of the region with a flexible exchange

rate. In fact, it was in the top 25% in 12 of the 15 countries considered, and it was at the highest level in 7 of them.

In the first six months of 2020, international reserves climbed 2.0%, and continued to increase in July, exceeding their 2018 level. Reserves were up in 19 countries and down in 13. The economies where reserves fell the most (by over 18%) between January and June 2020 were the Dominican Republic, Ecuador, El Salvador and Suriname, while those where they climbed the most (by over 19%) were Antigua and Barbuda, Grenada, Honduras, Panama and Paraguay.

The COVID-19 pandemic has affected the region with a unique combination of external and domestic shocks. The drop in economic activity in the region's main trading partners and the volatility of the international financial system have been compounded on the domestic front by an unprecedented combination of demand and supply shocks.

This is expected to push the region into its worst economic downturn since records began in 1900. The GDP of Latin America and the Caribbean is projected to contract by 9.1% in 2020. This sharp decline will result in a 9.9% drop in regional per capita GDP, marking a reversal of 10 years' growth, to a level similar to that recorded in 2010. By subregion, the largest fall in GDP will be in South America (9.4%), followed by Central America and Mexico (8.4%), and the Caribbean, excluding Guyana, (7.9%). If Guyana is included, Caribbean GDP is forecast to fall 5.4%. Trends vary somewhat among subregions and countries, owing to differences in exposure to the international context and the stringency of COVID-19 containment measures.

At the time of writing, some governments have begun to ease containment measures, while others have had to maintain or even tighten them in light of the persistent increase in new daily cases of the disease. The activities most affected by these measures are those services deemed non-essential, such as accommodation, restaurants, aviation, entertainment and tourism. In addition, commerce has been severely affected, with the exception of those businesses that are considered essential, such as pharmacies and supermarkets.

The global economy is experiencing one of the worst economic downturns in its history. The external shock will affect the different subregions of Latin America and the Caribbean differently. In South America, it is responsible for a 40% reduction of the projected GDP growth rate. However, given the stringency of the lockdown and physical distancing measures, the domestic shock is even greater than the external one, in relative terms, accounting for 60% of the decline in growth rate. In Central America and Mexico, in contrast, the external shock outweighs the domestic one in relative terms, subtracting 60% from growth. The difference is a result of the decline in remittances, the larger importance of goods exports in GDP and the greater dependence of these economies on activity in the United States.

B. Main conditioning factors of fiscal and monetary policies in the post-COVID-19 era

The second chapter of the *Economic Survey* analyses the macroeconomic situation that the world and the region will face once the COVID-19 pandemic has abated and describes the context of greater financial vulnerability in which the eventual economic recovery will take place. In this new post-pandemic context, the report examines the main constraints on fiscal and monetary policies in Latin America and the Caribbean.

The chapter is divided into three sections. The first section describes the environment of greater financial vulnerability in which the world and the region will find themselves

once the pandemic has abated, as well as the financial scenario in which the eventual economic recovery will occur at the global and regional levels. The crisis unleashed by the COVID-19 pandemic erupted in a global economy characterized by record levels of debt, which had reached over 320% of global GDP by the end of 2019. The effects of the COVID-19 crisis on global liquidity, coupled with the fiscal packages implemented by governments, will fuel further borrowing in the world economy.

Debt is accumulating at a time when both non-financial corporations and the financial sector are vulnerable. In the case of non-financial corporations, the short-term share of the total debt is growing, the credit portfolio is deteriorating, and there is increasing currency mismatch (in the case of emerging economies). The financial system is also displaying signs of vulnerability, despite being bolstered by the measures and regulations implemented in the wake of the global financial crisis. In particular, it is facing substantial reductions in profitability which, in conjunction with diminished incomes, could lead to credit and liquidity constraints. The non-banking system, which has become more prominent since the global financial crisis, is also facing declining incomes, and this has led it to pursue higher-risk credit profiles. At the same time, concentration levels have increased in the asset management industry, which is part of the non-bank financial sector, thereby bringing back into focus the problems that institutions considered too big to fail can pose for systemic risk. This backdrop of accumulating debt accompanied by increased financial vulnerability is one of the factors that will determine the potential recovery of the post-COVID-19 global economy.

The second and third sections of chapter II analyse the conditioning factors of fiscal and monetary policies in the region, respectively, both at present and in the post-pandemic period. Economic policymakers in Latin America and the Caribbean are facing a variety of challenges, such as stimulating aggregate demand to prevent their economies from collapsing, managing the pressures generated by the external shock on their foreign exchange and monetary frameworks, and adequately managing financial flows to make fiscal and monetary policies more effective, while also addressing their economies' external vulnerabilities.

The second section focuses on fiscal policy. This year, both the overall and primary fiscal position of Latin America and the Caribbean are projected to post the highest deficit since 1950. Public debt has also been increasing, in line with world events, and it is estimated that it will close the year 9.3 percentage points higher than that posted for 2019.

Like the 2008–2009 financial crisis, the COVID 19 pandemic has highlighted the importance of fiscal policy. Government intervention in the form of major fiscal packages has played a key role in mitigating the social and economic consequences of the pandemic. At the same time, the role of fiscal policy as an instrument to promote the reactivation of the economy and rebuild more resilient societies is being recognized both in the region and worldwide. The efforts made by the State to tackle and overcome the pandemic and the ensuing humanitarian, social and economic crisis have been underpinned by an expansionary fiscal policy, which will need to be sustained over time to make the economic recovery and the reconstruction of more inclusive, egalitarian and resilient societies viable.

The main fiscal policy challenges in the post-pandemic period will be to build welfare states, strengthen productive development and implement policies that foster environmental sustainability. Fiscal austerity is therefore not an adequate response to the fiscal challenges they face. The region must seize this opportunity to realign its development path, in accordance with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development.

In order to pursue an expansionary fiscal policy within a fiscal sustainability framework, strategies must be adopted that expand the fiscal space by mobilizing both domestic

and external resources. At the national level, there is room to enhance the State's revenue-raising capacity —which is low and skewed by regressive indirect taxes— by bolstering income tax, property taxes and taxation of the digital economy, as well as corrective taxes related to the environment and public health. There is, likewise, room to reduce revenue losses caused, for instance, by tax evasion and tax expenditures. At the same time, given the importance of expenditure policy as a development tool, it is important to enhance the efficiency, effectiveness and equity of public intervention in order to guarantee that the resources mobilized are channelled towards public policies that reduce inequality and foster growth.

Such efforts at the national level should be supplemented by more vigorous mobilization of external resources, through access to sources of financing on more favourable terms, be it on international markets or through international financial institutions. International cooperation will play a fundamental role in coordinating the various parties involved so that those efforts are more effective.

Lastly, the third section focuses on monetary and exchange rate policies and macroprudential regulations and examines the constraints faced by policymakers in the region in implementing them. Although the crisis has affected all the economies, some structural characteristics (such as the degree of openness, export orientation and the monetary and exchange rate regimes, among others) mean that certain economies in the region are more exposed than others.

An important message that emerges from this section is that, in the face of a crisis of historic proportions such as the current COVID-19 crisis, policymakers have acted pragmatically and decided to use all available tools to tackle the pandemic and mitigate its effects on the real sector and the financial sphere of the economy. To this end, they have had to implement a combination of policies that include conventional and unconventional measures to sustain aggregate demand. The policies adopted have depended on the external support and own resources available to the authorities and the constraints they face.

Another message is that, in order to maintain macrofinancial stability, the economic authorities have shown greater flexibility to reduce the possibility that the pandemic-induced crisis and its consequences could compromise the sustainability of the financial system of the region's economies. Using the knowledge accumulated within and outside the region, the entities responsible for financial oversight have adjusted the rules to prevent possible liquidity problems and the ensuing deterioration of the credit portfolio from becoming a situation that compromises the sustainability of the credit system and the health of financial institutions. The countries in Latin America and the Caribbean have long experience in the use of macroprudential instruments and they have the option of deploying all available tools to protect macroeconomic and financial stability —including the regulation of capital flows— to prevent greater volatility from compromising the sustainability of exchange rate schemes and triggering additional crises in the region's economies.

The importance of international cooperation in the response to the crisis and in the post-pandemic period is highlighted throughout the chapter. This cooperation must support the expansion of policy spaces available to authorities in the region, but it is also important to strengthen the institutions that make up the international financial architecture to enable individual actions to be effectively coordinated, with a view to achieving a better global balance.

Regional overview

## A.	The international context

### 1.	The COVID-19 pandemic has pushed the global economy into the deepest recession since the Second World War and global GDP is projected to contract by 5.2% in 2020

The coronavirus disease (COVID-19) pandemic has caused severe damage in the global economy, with a widespread collapse in economic activity. The year 2020 is seeing the largest fall in output since the Second World War (-5.2%) and the largest percentage of countries experiencing recession simultaneously (90%) since estimates began in 1870 (World Bank, 2020a).

At the start of the year, the outbreak of COVID-19 in China led to the application of lockdown measures aimed at halting the spread of the virus, which seriously damaged the country's economic activity levels. In turn, this triggered a shock for several countries that have trade ties with China, and for commodity-exporting countries,[1] owing to heavy falls in demand, which also brought down the prices of these products. Given China's importance in global supply chains, the production shift rapidly impacted countries where other links of these chains are located.

The external shock was compounded by the fact that within three months the pandemic had spread to almost every country in the world, which —in the absence of a vaccine or treatment— all responded in a similar manner, with lockdown and physical distancing measures. Most countries closed their borders, producing the most severe restriction on freedom of movement ever (United Nations, 2020). Health measures aimed at restricting population movements had profound impacts on service sectors such as entertainment, hotels, restaurants, tourism, aviation and other forms of transport, which came to a virtual standstill, as did manufacturing, owing to the cessation of non-essential activities and the impacts on the supply chain. Demand for oil and other commodities fell even more drastically as a result of the paralysis of land transport, air travel and industrial consumption throughout much of the world.

Current projections (at 24 July 2020) by specialized sources for GDP worldwide and in the various regions are shown in figure I.1. For the world overall, output is expected to fall by 5.2% (compared with 2.5% growth projected in December 2019, before the start of the pandemic); GDP is expected to contract by 7.0% in the developed economies and by 1.6% in the emerging and developing economies.

Among the developed economies, the United States is projected to see a GDP fall of 6.5% (compared with a positive 1.9% growth rate projected in December 2019). The United States has been heavily affected by the pandemic, in addition to a tightening of tensions with China since the end of May and a wave of protests in various parts of the country. In the second quarter of 2020, the country's GDP was down by 9.5% in relation to the first quarter; in April, unemployment reached the highest rate since monthly statistics began in 1948 (14.7%).[2] At the end of April a number of states began to lift health restrictions and the information available suggests that in May the economy began a slow recovery, notwithstanding outbreaks and spikes in cases of the disease in some states. Industrial production climbed 1.4% in May and 5.4% in June (in each case with respect to the prior month) after heavy falls in March and April. Retail sales also rose in May, by almost 18%, which was the highest monthly rate since the series began in 1992. Unemployment eased in June (to 11.1%), reflecting strong expansionary policies implemented on both the monetary and fiscal fronts.

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[1]	This is the case for many Latin American and Caribbean countries, as will be seen later.
[2]	Prior to 1948, the annual records show the highest rate of unemployment at almost 25%, in 1933, during the Great Depression.

Figure I.1
Selected regions and countries: GDP growth rates for 2018 and 2019, and projections for 2020
(Percentages)
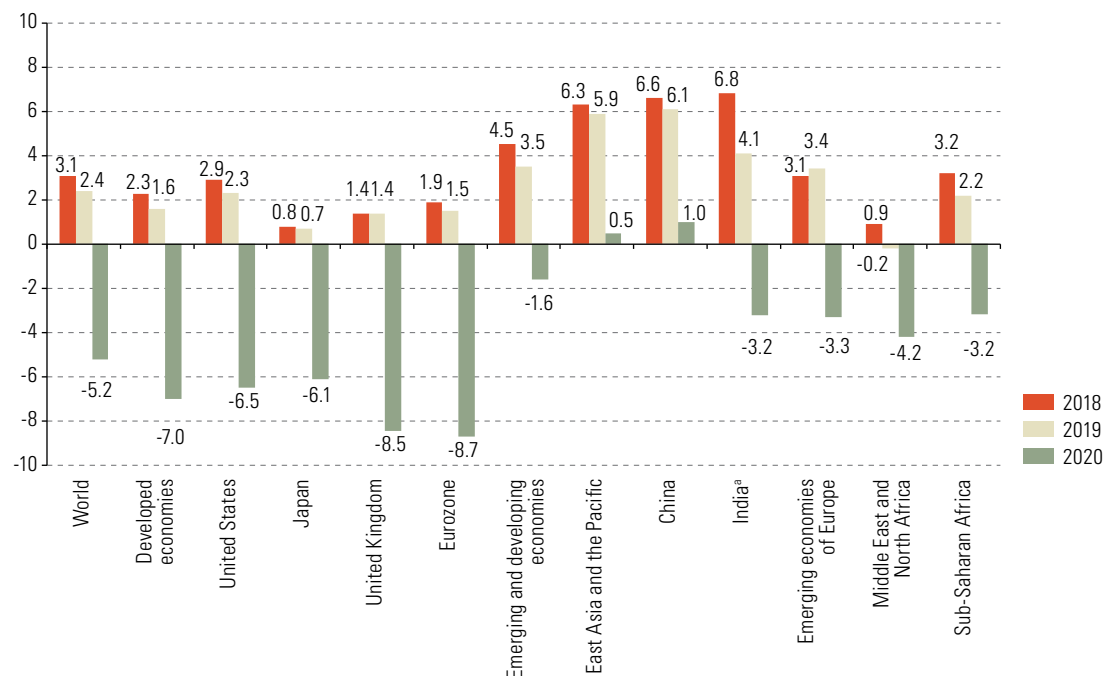
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Global Economic Monitor (GEM) [online database] https://datacatalog.worldbank.org/dataset/global-economic-monitor [accessed on: June 2020]; Organization for Economic Cooperation and Development (OECD), OECD Economic Outlook, Paris, OECD Publishing, June 2020: European Central Bank(ECB), "Eurosystem staff macroeconomic projections", June 2020 [online] https://www.ecb.europa.eu/pub/projections/html/index.en.html; and United Nations, World Economic Situation and Prospects as of mid-2020, New York, 2020.
[a] The figures for India cover the fiscal year, which begins in April and ends in March the following year.

The eurozone economy is projected to contract by 8.7% (versus 1.2% growth estimated in December 2019). The economy fell by 3.6% in the first quarter (with respect to the previous quarter) and by 12.1% in the second quarter. The European countries also began to resume economic activity between late April and mid-May, and a gradual recovery followed, although resurgences of the disease in some cases caused uncertainty over this process going forward.[3]

Within the group of emerging economies, in China the authorities did not set an annual growth target, for the first time in decades. The market currently projects growth of just 1.0%, which would be the lowest rate in over 40 years and stands against the projection of 5.8% made in December 2019. The latest activity indicators available show that the worst of the contraction appears to be over. In the first quarter of 2020 China's GDP fell by 6.8% year on year, but by April and May activity began to recover and in the second quarter the economy returned to positive growth (3.2% year on year).

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[3] For example, the Purchasing Managers Index in the eurozone rose to almost 51.1 In July 2020, compared to a low of 33.4 in April. This index is an indicator of the economic situation in a country based on data compiled via a monthly survey of procurement managers in the most representative firms. It is prepared by the firm Markit Economics and is often used to assess the direction of economic trends in many countries.

2. The pandemic has caused a collapse in global trade and the World Trade Organization (WTO) projects a fall of between 13% and 32% in merchandise trade volumes in 2020

Global trade had already been posting sluggish growth since the global financial crisis of 2008 and 2009, and more so since the start of 2018, largely owing to the build-up of trade barriers between the United States and China and their effect on global value chains. In 2019 trade volume fell for the first time since the global economic and financial crisis (-0.4%) and —although in January 2020 the outlook brightened with the signature of phase 1 of the trade agreement between the United States and China— the spread of COVID-19 and its development into a pandemic led to a collapse of global trade flows.

As the pandemic spread, the confinement measures taken translated into a heavy fall in manufacturing production, first in China then in other global trade hubs, such as the United States and Germany.[4] The disruption of production in countries integrated into value chains was a crucial factor in the deterioration of trade in intermediate goods, which was compounded by a widespread weakening of demand for consumer and investment goods as a result of the economic crisis. The data available to May already show a large fall in goods trade volumes and WTO has projected a decline of between 13% and 32% for the year overall (see figure I.2).

Figure I.2
Year-on-year change in the volume of global goods trade, January 2003–May 2020
(Percentages, on the basis of a seasonally adjusted index)
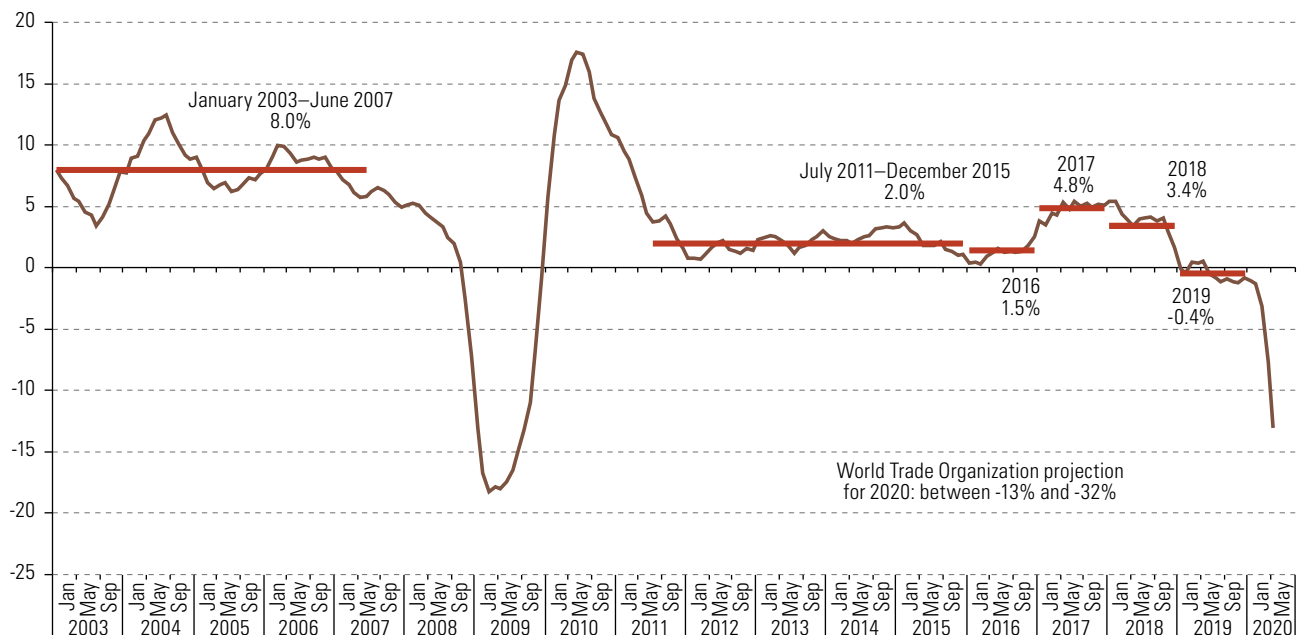
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] https://www.cpb.nl/en/worldtrademonitor; World Trade Organization (WTO), "Trade forecast press conference", 8 April 2020 [online] https://www.wto.org/english/news_e/spra_e/spra303_e.htm.

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[4]   These three countries together account for around 34% of global manufacturing exports (United Nations, 2020).

In previous crises, the goods sector has tended to come off worse than the services sector in the fall in global trade (Ariu, 2016). This time, however, the services sector has borne the brunt of the economic collapse, so may be expected to show an even larger fall in trade than goods.

In particular, international trade in freight services, for example, has been affected by the deep contraction in goods trade. Trade in travel services (tourism) and passenger transport are also among the worst affected, owing to the specific nature of the current crisis. Owing to the health-related nature of the original crisis and the restrictions on people's movements, border closures and the suspension of travel, this sector has been affected to a far greater degree than in previous crises. In this regard, the World Tourism Organization (UNWTO) estimates that tourism fell by 56% in the first five months of 2020 (UNWTO, 2020b) and could tumble by between 60% and 80% for the year overall (UNWTO, 2020a).

3. The terms of trade of commodity-exporting countries will be negatively impacted by lower commodity prices in 2020 than in 2019

Commodity prices have seen steep falls since the start of the year, progressively affected by the negative global economic outlook and declining demand.

The oil market was also impacted by price competition between producers for market share in early March, and on 20 April, for the first time ever, the barrel price of West Texas Intermediate (WTI) turned negative as storage capacity neared its limits.[5]

The price of copper, like that of other industrial metals, was affected by the heavy fall in demand and by the end of March had dropped by 25% relative to the start of the year.

Precious metals, especially gold, were an exception to the general trend of commodity prices, as they are used as a store of value in times of uncertainty and financial market volatility. The price of gold has been rising since early 2020 and stood (at 24 July 2020) 28% above its end-2019 level.

Starting in mid-April, and more intensively in May and early June, the downtrend in the prices of most commodities reversed as a result of the ongoing economic recovery in China and a gradual easing of the paralysis in the United States and Europe. Prices of industrial metals —such as copper— benefited from China's announcement of a US$ 700 billion stimulus plan targeting infrastructure, implying increased spending on metal-intensive projects at a time when production was still diminished as a result of the temporary closure of mines in principal producing countries. Demand and supply factors also converged in the case of iron, as the Brazilian mining firm Vale was ordered to halt operations equivalent to a tenth of its production, after some of its workers tested positive for COVID-19.

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[5] The barrel price of West Texas Intermediate (WTI) oil, the benchmark in the United States market, traded below zero on the futures market in May 2020. Here, a negative price means that the party who has bought oil on a futures contract pays at the close of the contract, because otherwise when the contract falls due the buyer would have to take delivery of oil that cannot be sold on (because of the fall in demand) or that would be too expensive to store (because of the limit on storage capacity in the production area of Texas and South Oklahoma).

As a result, by comparison with its end-March level, the price of copper has risen by around 36% thus far (24 July 2020) at US$ 2.90 per pound, while the price of WTI oil is around US$ 41 per barrel, further supported by announcements in early June of the extension of oil production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and other producing nations (*The Guardian*, 2020).

Should the incipient recovery in the major world economies gain solidity, albeit slowly, this uptrend in commodity prices could continue; nevertheless, in the average yearly figures, prices for 2020 are expected to remain below those of 2019.

Accordingly, for oil the average price projected for 2020 is almost 36% lower than the 2019 average price. The prices for agricultural products, the least affected by the crisis, are expected to fall slightly by almost 2%, while those for metals and minerals are projected to dip by just 0.1%, but with wide variations within this category: prices for industrial metals, such as copper, will decrease by 5%, offset by a rise in safe haven investments, such as gold, the price of which, as noted earlier, has climbed 28% in the year so far (to 24 July 2020) (see table I.1).

Table I.1
Year-on-year variation in average annual commodity prices, 2016–2020
(Percentages)

	2016	2017	2018	2019	2020[a]
Agricultural products	4.9	0.5	0.5	-3.0	-1.7
Foods, tropical beverages and oilseeds	6.8	-0.6	-2.8	-3.7	-1.5
Foods	11.5	-0.2	-4.3	-0.6	-2.5
Tropical beverages	0.6	-1.7	-10.1	-5.0	6.5
Oils and oilseeds	2.4	-1.0	1.4	-7.7	-2.0
Agricultural and forestry raw materials	-2.3	4.9	13.4	-0.7	-2.4
Minerals and metals	-0.8	23.3	4.2	-1.0	-0.1
Energy[b]	-16.3	23.5	25.6	-9.1	-29.6
Crude oil	-15.7	23.3	29.4	-10.2	-35.6
Total primary products	-4.0	14.5	9.8	-4.6	-10.9
Total primary products (excluding energy)	2.3	10.8	2.3	-2.0	-0.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Bank Commodities Price Data (The Pink Sheet)", 2 June 2020 [online] http://pubdocs.worldbank.org/en/774651591120179792/CMO-Pink-Sheet-June-2020.pdf; United States Energy Information Administration (EIA), *Short Term Energy Outlook*, 7 July 2020, and data from Bloomberg and Capital Economics.
[a] Figures for 2020 are projections.
[b] This category includes oil, natural gas and coal.

4. The severity of the current crisis has led most countries to take extraordinary policy measures to mitigate the adverse impacts of the pandemic

Almost across the board, the central banks of advanced and emerging economies cut interest rates and took other measures to provide liquidity, meet firms' credit needs and support the operation of financial markets. The magnitude of the crisis has also prompted some emerging economies to venture into quantitative easing by buying government or private securities. The aim in some cases has been to broaden the scope for monetary policy where interest rates are already close to zero, and in others there may also be a government financing aspect, given the large spending needs that have arisen to address the pandemic and the resulting economic and social crisis.

In the case of the United States Federal Reserve and the European Central Bank (ECB), a series of decisive actions taken in the second half of March helped to produce a shift in financial market trends thereafter.

In addition to cutting its policy interest rate by 1.5 percentage points (to a range of 0%–0.25%) over the year thus far (to 24 July 2020), on 19 March the Federal Reserve entered into dollar liquidity swap lines with various major central banks around the world,

in order to preserve dollar liquidity, and established a repurchase agreement (repo) facility for another group of central banks (Board of Governors of the Federal Reserve System, 2020a). The effect of these announcements was almost immediate and the hitherto excess demand for dollars eased, as was evident in the significant fall in the FX swap basis cross-currency indicator following this coordinated action by the Federal Reserve with other participating central banks.

Around the same date, ECB announced the launch of a new quantitative easing programme, the Pandemic Emergency Purchase Programme (PEPP), with an overall envelope of 750 billion euros. On 23 March, the Federal Reserve announced that its quantitative easing measures would be open-ended, with bond purchases "in the amounts needed" (Board of Governors of the Federal Reserve System, 2020b). It also announced another series of measures aimed at containing credit and illiquidity problems in the markets, which produced a sudden stock market upturn; the Dow Jones rose by 11.4% just one day after the announcements, in the largest daily rise since March 1933.

In the case of the United States Federal Reserve and ECB, as well as the central banks of other developed countries, such as the Bank of Japan and the Bank of England, expansionary monetary policies were applied more quickly and on a larger scale in this crisis than in the global financial crisis of 2008 and 2009 (see figure I.3) and have produced the largest monetary expansion in history.

Figure I.3
Monthly balance sheet variation as a percentage of GDP, February 2007–June 2020
(Percentage points)
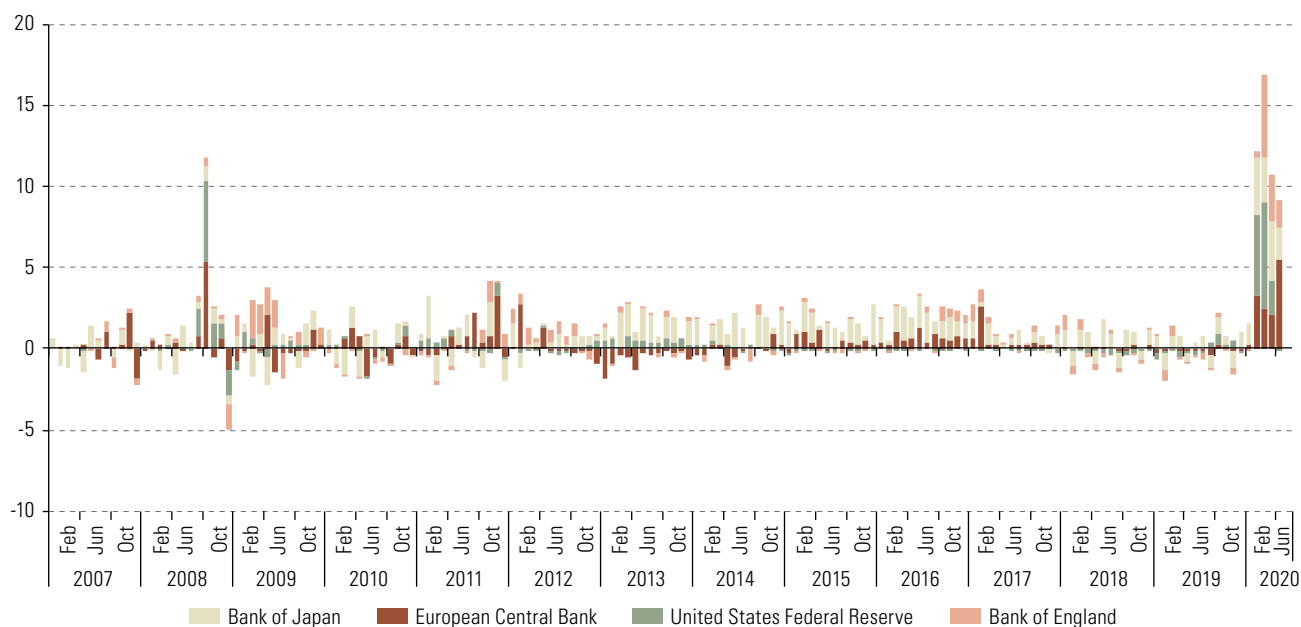
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

A distinctive feature of the central banks' responses to the crisis was the application of measures aimed at supporting credit flow to households and to the non-financial corporate sector, which were rolled out on a larger scale than during the global financial crisis of 2008 and 2009. Conversely, liquidity support for the financial sector —which was considerable during the previous crisis— has played a more limited role thus far in the crisis caused by the pandemic. These distinctions partly reflect the different nature of the two crises; the global financial crisis hit the financial markets first then spread to the real economy, making credit conditions harder for firms and households. The COVID-19 pandemic, however, forced the imposition of severe containment measures whose effects were felt first in the real economy then spread to the financial sector (BIS, 2020).

Both the advanced and the emerging economies have taken a series of fiscal stimulus measures —of different magnitudes depending on the fiscal space available to each— to soften the adverse effects on employment and on household income and business revenues. The most frequent measures include transfers to households and firms, grace periods for the payment of taxes and other contributions, wage subsidies, tax cuts and programmes of government-backed credit and loans.

The market recovery begun in late March, specifically on 23 March, gained strength from two important policy announcements made in early June, together with the better-than-expected May unemployment figures in the United States.

First was the announcement by the European Union of a 750-billion-euro fiscal stimulus package, Next Generation EU, which was ultimately agreed upon in July and constitutes the largest stimulus plan in the Union's history (BBC, 2020). ECB also announced the extension of the Pandemic Emergency Purchase Programme (PEPP) by 600 billion euros, to a total of 1.35 trillion euros in asset purchases, equivalent to 11% of eurozone GDP.[6]

As well as policy measures taken by individual countries, the multilateral institutions have implemented a number of initiatives to provide support. The International Monetary Fund (IMF) has supplied credit lines and emergency and short-term liquidity, increased debt relief resources for member countries and provided concessional credit lines for the poorest and most vulnerable countries. The World Bank has announced strengthened financial support for a series of economic and social development programmes for low-income countries considered to be vulnerable and, lastly, the Group of 20 (G20) has allowed the poorest countries to suspend repayment of credit during 2020, so that governments can use the resources instead to address the social and economic impacts of the pandemic. Despite the efforts described, however, financial initiatives taken to combat the effects of the pandemic are still insufficient to meet global financing needs and, although proposals have been considered to increase support —for example, through a massive issue of Special Drawing Rights (SDRs) by IMF— agreement has not yet been reached in this respect.

At the same time, given the levels of both public and private debt with which this crisis will leave the emerging economies —including those of Latin America and the Caribbean—, support will also be needed from the international community. Various support initiatives have been implemented, adapted to the specific situation of the different countries, especially with respect to their varying capacities to access private credit markets and the conditions in which they can do so (see chapter II).

5. Although the deterioration in global financial conditions reversed at the end of March 2020, much uncertainty remains over the continuation of the pandemic and its heavy economic and social impacts

Towards the end of February 2020, the perception that the outbreak of COVID-19 was spreading to an increasing number of countries and the briefing by the World Health Organization (WHO) that the risk of spread and the risk of impact of the disease was assessed as "very high" (WHO, 2020b) precipitated a risk-off phase in global financial markets.[7] The report by WHO characterizing COVID-19 as a pandemic (WHO, 2020a) gave impetus to this process and led to a sharp deterioration in international financial

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[6]   The programme, which was initially for six months, was also extended to June 2021 or until the Bank considers the crisis to be over.
[7]   During the risk-on phase, tolerance of risk is greater, while the opposite occurs during the risk-off phase: investors try to reduce their exposure to assets considered higher risk and seek refuge in those considered lower risk.

conditions, in several cases even greater than was seen during the global financial crisis of 2008 and 2009.

In particular, financial volatility —measured by the VIX index— rose to its highest level ever in mid-March (see figure I.4); emerging markets saw massive capital outflows (see figure I.5); sovereign risk levels rose, especially for emerging markets (see figure I.6); and most currencies depreciated heavily against the United States dollar, as a globally countercyclical currency that tends to strengthen amid deteriorations in the global economy and weaken when prospects for an upturn (recovery) improve (see figure I.7).

Figure I.4
Financial market volatility measured by the VIX index, 1 January 2007–24 July 2020
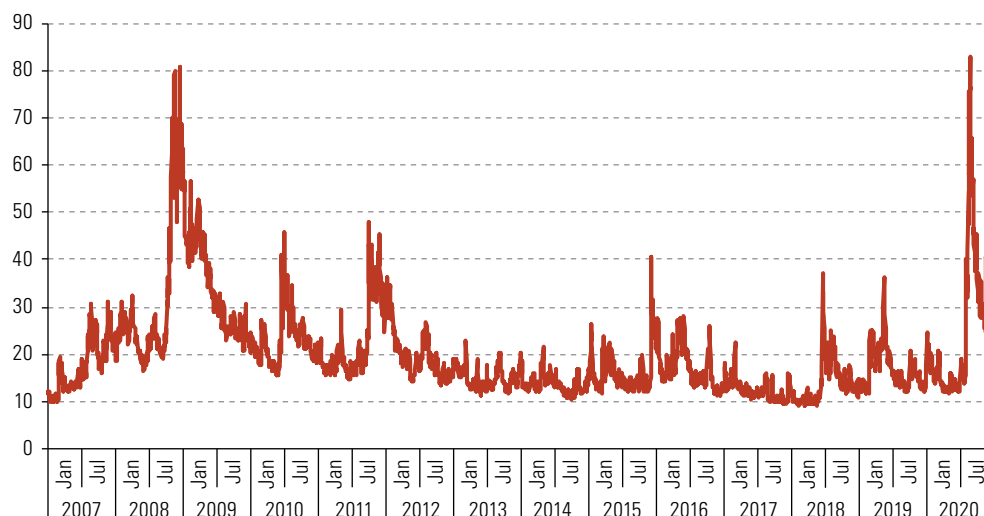
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.

Figure I.5
Non-resident portfolio capital flows to emerging markets, according to the Bloomberg Emerging Markets Capital Flow Proxy Index
(Index: 100=date of onset of episode)
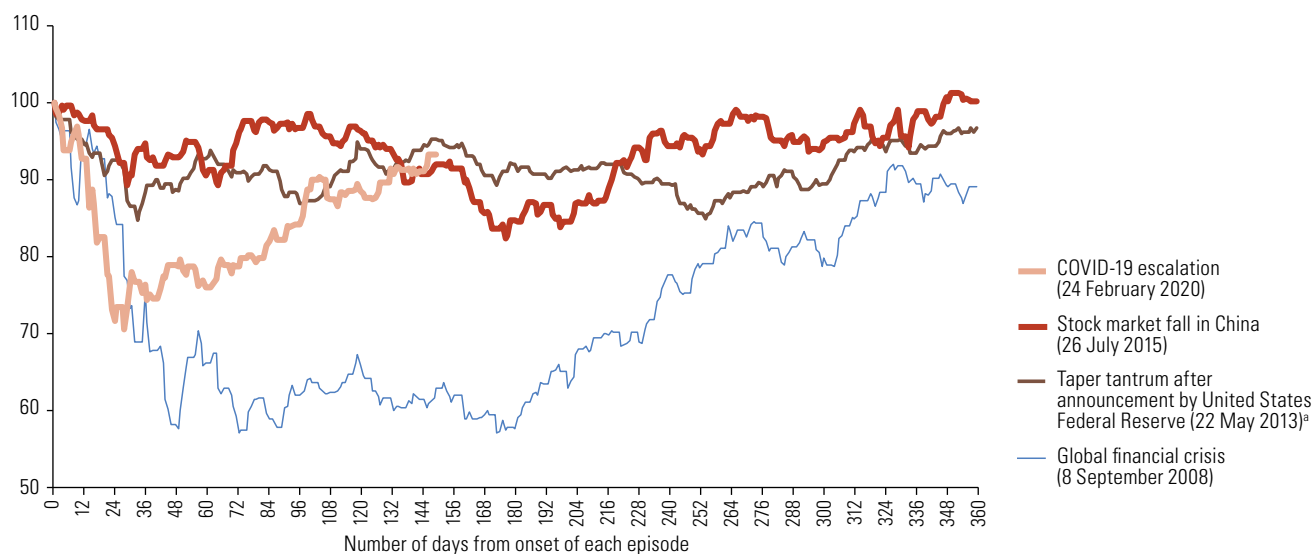
COVID-19 escalation (24 February 2020)

Stock market fall in China (26 July 2015)

Taper tantrum after announcement by United States Federal Reserve (22 May 2013)[a]

Global financial crisis (8 September 2008)

Number of days from onset of each episode

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

[a] The expression "taper tantrum" was coined in mid-2013 in reference to the financial turbulence that ensued after the markets were taken by surprise by the Federal Reserve's announcement that it would taper off its asset purchasing under the quantitative easing programme and overreacted triggering large sales of —especially emerging market— financial assets and currencies.

Figure I.6
Emerging economies:
sovereign risk according
to the Emerging Market
Bond Index Global (EMBIG),
31 January 2007–
30 June 2020
(Basis points)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from JP Morgan.
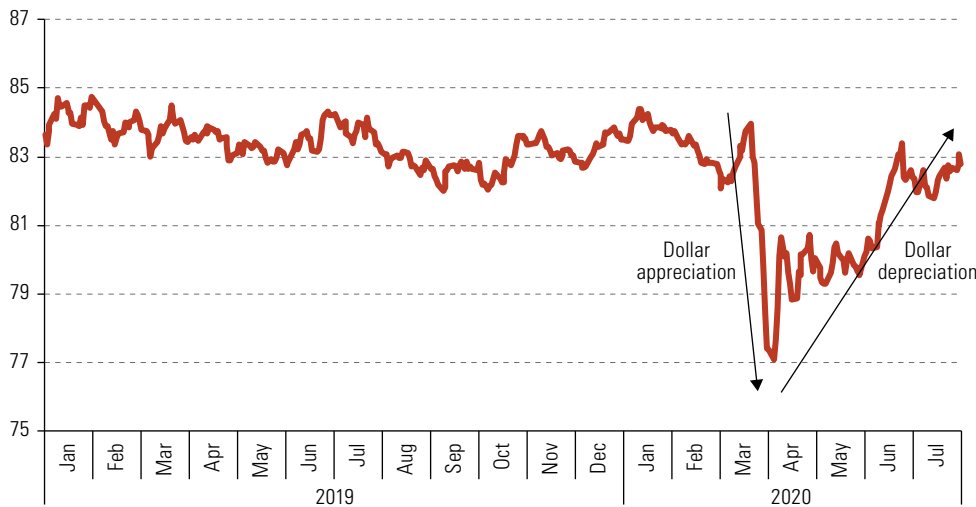
Figure I.7
Index of dollar exchange
rate against major
currencies, 1 January 2019–
16 July 2020
(DXY index: January 2013=100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.
Note: Bloomberg's dollar spot index (DXY) tracks the exchange rate of the United States dollar against a basket of 10 major global currencies.

Stock markets the world over registered heavy falls as a result of concerns over the economic effects of the pandemic and its impact on companies' financial health (see figure I.8). The MSCI global equity index fell by almost 30% in four weeks, between 24 February and 23 March 2020, with the magnitude of the fall similar in both developed and emerging economies. Among the developed economies, the MSCI index fell 29% in the United States and 32% in Europe.

The yields on sovereign bonds of countries considered safe havens —those where investors "flee" in search of security— reached all-time lows and indicators of the cost of dollar funding reflected a steep rise in demand for the United States currency. The FX swap basis indicator, the spread between the dollar interest rate in the money market and the dollar interest rate implicit in the foreign-exchange market —in which dollars are borrowed against another currency as guarantee—, turned highly negative, reflecting the shortage of dollar funding (see figure I.9).

Figure I.8
MSCI World Index of global stock markets
(Index: 100=date of onset of episode)
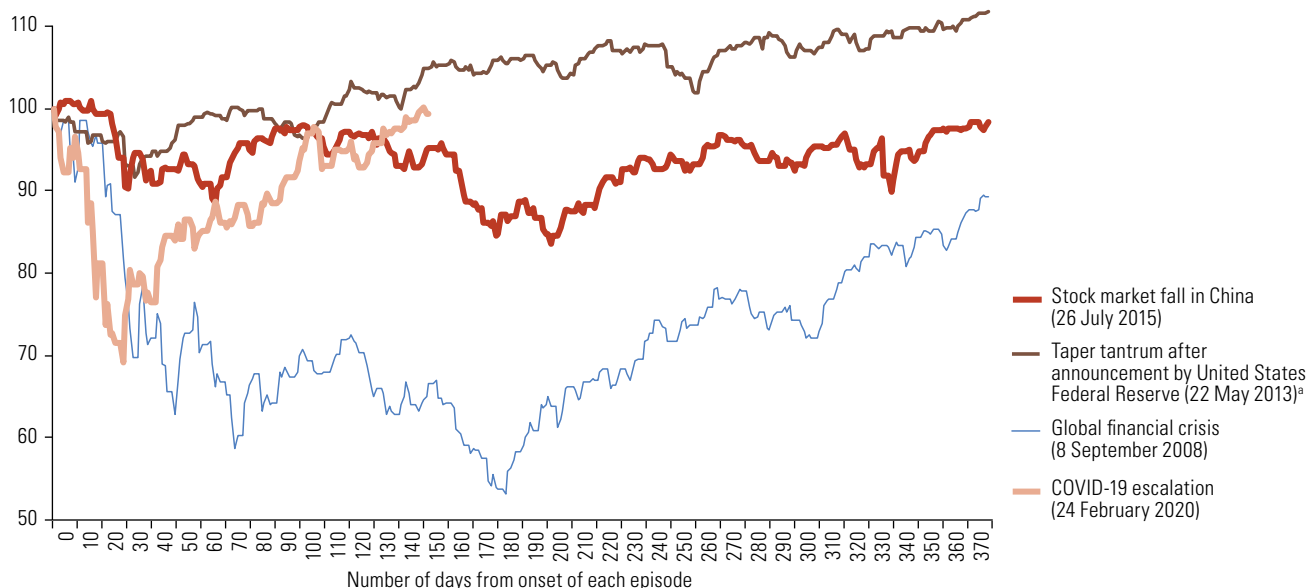
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.
[a] The expression "taper tantrum" was coined in mid-2013 in reference to the financial turbulence that ensued after the markets were taken by surprise by the Federal Reserve's announcement that it would taper off its asset purchasing under the quantitative easing programme and overreacted triggering large sales of —especially emerging market— financial assets and currencies.

Figure I.9
FX swap basis indicator
(Three-month terms, in basis points)
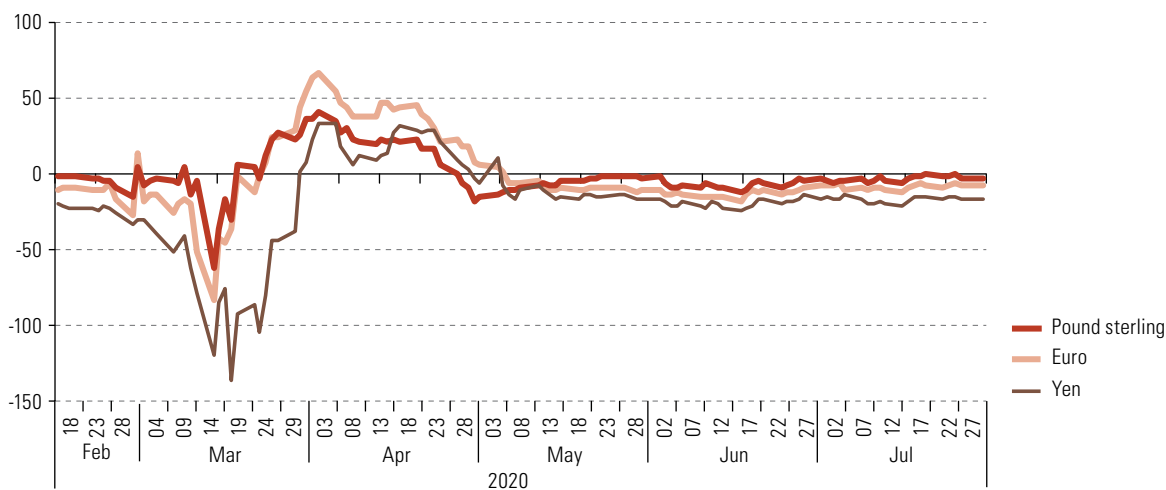
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.
Note: The FX swap basis indicator corresponds to the difference between the London Inter-Bank Offered Rate (LIBOR) in dollars and the dollar rate implicit in the currency swap market for yen, pounds sterling and euros at three-month maturities.

However, the series of decisive policy steps taken in the second half of March 2020 by major central banks and governments around the world helped to produce a shift in financial market trends from then onward.

To date (24 July 2020), financial volatility measured by the VIX index has eased considerably, the dollar has depreciated against a basket of reference currencies (by 9% since 23 March) and the MSCI global stock index is 43% above its level of that date. Capital outflows from emerging economies have reverted and portfolio investment in emerging economies has shown net inflows from April onward.

All this notwithstanding, given that the pandemic is not over, a high level of uncertainty remains. Risk aversion could increase again should outbreaks of COVID-19 force governments to maintain or reestablish confinement measures and should the recession last longer than expected. The resulting adverse effects on emerging economies would find them even more vulnerable, given their higher levels of debt, which for some firms and even governments could become unmanageable in a context of falling activity levels.

B.   The external sector

Since the outbreak of the coronavirus disease (COVID-19) in China in December 2019, the region has been on the receiving end of negative external shocks conveyed through five channels: terms of trade, trade (both in goods and in services) and value chains, remittances, income and finance. These external shocks have been felt in the different components of the balance of payments, including the current account —balance of goods, services, current transfers and income— and the financial account.

1.   Commodity prices and the terms of trade: hydrocarbon-exporting economies are likely to be the most affected through this channel, while food and metal exporters are forecast to be less affected, and in the Caribbean, lower import prices are expected to partly offset other shocks

Latin America and the Caribbean is a net exporter of commodities and commodity-based manufactures. According to estimates based on the 2017 and 2018 export baskets,[8] net exports of commodities and commodity-based manufactures amount to 4.5% of GDP.[9] Along with the characteristics of commodity markets in which producing countries have little capacity to influence prices and in which prices are sometimes highly volatile because of factors relating to geopolitics, climate or environmental law (none of which can be controlled by national authorities), the magnitude of this figure opens up the region's economy to external shocks through the terms of trade and their effect on countries' disposable income.

However, the reality of Latin America and the Caribbean is mixed in terms of the composition and weight of this type of goods in the export and import basket. Hence, the impact of terms of trade shocks will also vary across subregions and countries.

On the one hand, South America is a clear net exporter of primary goods —commodities and commodity-based manufactures account for 7.2% of GDP— and all the countries in this subregion are net exporters to varying degrees (see figure I.10).

In these economies, a drop in commodity prices leads to a negative terms of trade shock, with adverse effects on export levels and thus on the goods balance of the balance of payments.[10]

On the other hand, although the subregion comprising Central America and Mexico is a slight net importer on average (1.5% of GDP), realities within the group are mixed, since countries such as Costa Rica, Honduras, Nicaragua and Panama are net exporters of commodities.

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[8]   The export baskets were compiled with the most recent data available in the United Nations International Trade Statistics Database (UN Comtrade). The information for the 2017–2018 biennium was taken from this database, as the data for 2019 are not yet complete. The decision to use a two-year period is a precaution to moderate the distortion that could arise from the inclusion of a single year of anomalous exports. For countries with incomplete 2017–2018 data, information on the most recent biennium for which data were available (shown in parentheses) was used: Bahamas (2014–2015), Dominican Republic (2016–2017), Guatemala (2016–2017), Honduras (2016–2017), Jamaica (2016–2017), Panama (2015–2016), Saint Kitts and Nevis (2016–2017), Saint Lucia (2016–2017) and Trinidad and Tobago (2014–2015). For five countries for which recent data are unavailable, mirror statistics were used, i.e., the import declarations of trading partners for the 2017–2018 biennium: Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada and Haiti.

[9]   This figure excludes electricity, since the main exporter of electricity in the region is Paraguay, which sells its production to Brazil and Argentina at a non-market price.

[10] Moreover, it leads to a worsening of the fiscal accounts, as lower prices in turn result in weaker corporate income tax revenue and, in several countries, more limited tax revenue owing to weaker royalty income and earnings for public enterprises (see the paragraphs on fiscal policy in section I.D). The decrease in export prices also leads indirectly to the scaling back of investment plans by both national and foreign companies geared towards the development of these products, because projects are considered less appealing in terms of profitability.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade–International Trade Statistics Database for net exports and national sources for GDP.

Note: The most recent biennium for which data are available for the following countries is presented in parentheses: Bahamas (2014–2015), Dominican Republic (2016–2017), Guatemala (2016–2017), Honduras (2016–2017), Jamaica (2016–2017), Panama (2015–2016), Saint Kitts and Nevis (2016–2017), Saint Lucia (2016–2017) and Trinidad and Tobago (2014–2015). In the case of the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada and Haiti, mirror statistics were used, i.e. the import declarations of the country's trading partners.

Finally, the Caribbean subregion is mainly a net importer (1.8% of GDP). In this case, the exceptions are Guyana, Suriname, and Trinidad and Tobago, which are net exporters of commodities.

The extent to which the region's various economies are affected will also depend largely on the type of commodities they export or import —namely agricultural products, minerals and metals, and energy— given that the prices of the various commodity groups are sensitive to different factors and reflect diverse trajectories.

In the first half of 2020, energy product prices were hit hardest by the decline in demand owing to weaker global economic activity and the competition in oil prices between the Russian Federation and Saudi Arabia in the first quarter of the year. On average, prices in this product category are projected to be 30% lower this year compared to 2019 levels, and this is expected to have a strong negative impact on the economies of South America, especially the ones most dependent on this type of export, such as the Bolivarian Republic of Venezuela, Colombia, the Plurinational State of Bolivia and Ecuador (see figure I.11).

Figure I.11
Latin America
and the Caribbean
(33 countries): net exports
as a proportion of GDP,
by commodity category,
country and subregion,
2017–2018
(Percentages)

A. Agricultural products

B. Minerals and metals

Figure I.11 (concluded)

C. Energy

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade – International Trade Statistics Database for net exports and national sources for GDP.

Note: The most recent biennium for which data are available for the following countries is presented in parentheses: Bahamas (2014–2015), Dominican Republic (2016–2017), Guatemala (2016–2017), Honduras (2016–2017), Jamaica (2016–2017), Panama (2015–2016), Saint Kitts and Nevis (2016–2017), Saint Lucia (2016–2017) and Trinidad and Tobago (2014–2015). In the case of the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada and Haiti, mirror statistics were used, i.e. the import declarations of the country's trading partners.

Metal exporters such as Chile, Peru and the Plurinational State of Bolivia are expected to be affected to a lesser extent, as the increase in prices of gold and silver —considered safe havens— is likely to offset declines in industrial metal prices. Exporters of agricultural products, such as Argentina, Paraguay and Uruguay, are expected to face price declines of around 2%.

As a subregion, Central America and Mexico reflect limited exposure to the prices of minerals and metals (0.2% of GDP), and countries vary significantly in terms of their dependence on agricultural product prices. Although this heterogeneity is offset when considering aggregate subregional data (-0.1% of GDP), sugar producers are expected to be affected by a decline in prices while coffee producers are likely to benefit from a price recovery. The impact of the drop in energy prices is expected to be positive for all economies, given that all the countries in the subregion are net importers. In Mexico, however, this drop is expected to weigh heavily on tax revenues.

The Caribbean benefits from falls in energy prices (except Trinidad and Tobago)[11] and agricultural product prices (except Guyana), since it is a net importer of these products,

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[11] As of 2020, Guyana also began producing oil, and will therefore be included among net energy exporters, although this is not yet reflected in available statistics.

which account for 5.6%[12] and 4.3% of GDP, respectively. As a result, this channel will help the Caribbean to absorb the shocks it is experiencing through other channels, as is discussed below.

As a result of all the above, the terms of trade in Latin America and the Caribbean are expected to decline by 4.7%, on average, in 2020, with those in South America falling by almost 8% and those in Central America growing slightly (by 0.4%), while those in the Caribbean —excluding Trinidad and Tobago (a hydrocarbon exporter)— are expected to increase by 6.3% (see table I.2).

Table I.2
Latin America and the Caribbean (selected countries and country groupings): projected variation in the terms of trade, 2020
(Percentages)

Country/group of countries	Variation in the terms of trade
Latin America and the Caribbean (33 countries)	-4.7
Latin America (19 countries)	-4.8
South America (10 countries)	-7.9
Central America (Central American Common Market)	0.4
The Caribbean (excluding Trinidad and Tobago)	6.3
Mexico	-2.1

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

2.   Trade in goods and value chains: the drop in the economic activity of major trading partners has resulted in a reduction in the volume of exports from the region

The COVID-19 pandemic has led to a contraction in external demand for the region's countries —owing to weaker consumption and the postponement of investment decisions by major trading partners— which is weighing most heavily on the economies for which exports account for a larger share of total GDP.

In Latin America and the Caribbean, the weight of total goods exports amounts to 19.6% of the region's GDP, on average. These exports are destined mainly to three trading partners: the United States is the largest (8.5% of GDP), followed by China (2.2%) and the European Union (1.9%).[13] However, there are marked differences within the region.

Central America and Mexico is the subregion in which exports account for the largest share of GDP (33%), and the exposure to trade and value chains affects all the countries in general, given their geographic proximity to the United States, which also explains the linkage of some of these economies to that country's production chains.

Exports account for a smaller share of GDP in South America (14%), and China is the main trading partner of countries such as Brazil, Chile, Peru and Uruguay, given its significance as an importer of metals and agrifood products.

In the Caribbean, exposure to this channel is also high (26% of GDP), but not widespread, as it is reflected mainly by three countries: Trinidad and Tobago, owing to its exports of gas and oil products destined mainly for the United States, Suriname, given its exports of gold, and Guyana, owing to its exports of gold and aluminium[14] (see figure I.12).

[12]   This figure does not include Trinidad and Tobago. The Caribbean's net energy imports, including Trinidad and Tobago, amount to 0.1% of GDP.
[13]   Exports to other destinations represent 7.0% of regional GDP.
[14]   Oil exports are also expected to be included as of 2020.

Figure I.12
Latin America (29 countries) and subregions: goods exports as a proportion of GDP,
by export destination, latest available biennium[a]
(Percentages of GDP)
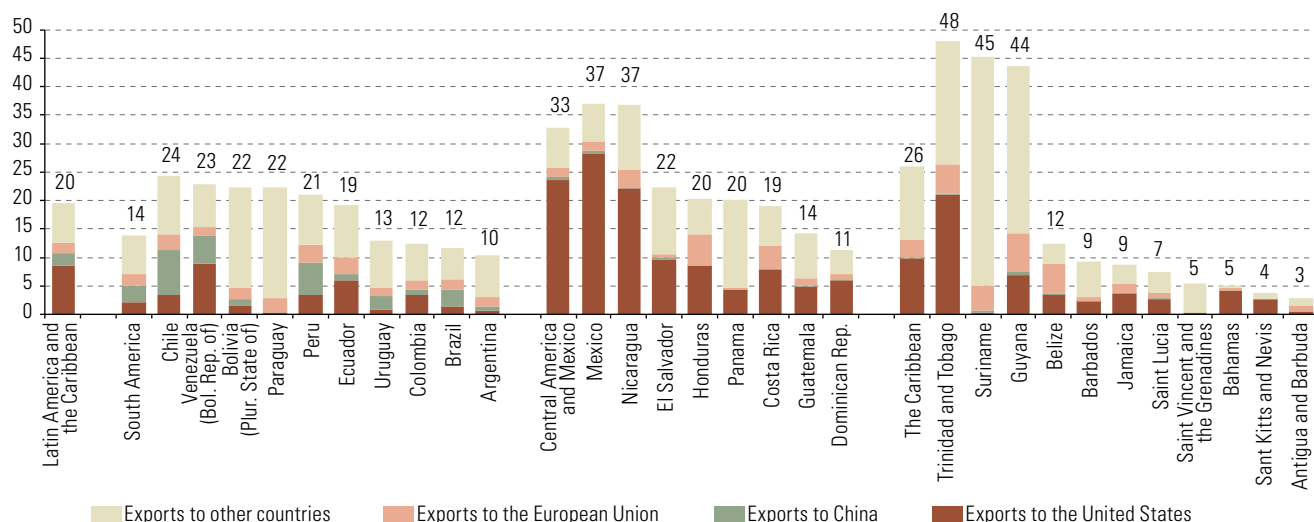
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade – International Trade Statistics Database for net exports by destination and national sources for GDP.
[a] The data on exports refer to the most recent biennium for which data are available, generally 2017–2018, except for the following countries (biennium in parentheses): Bahamas (2014–2015), Belize (2018–2019), Chile (2018–2019), Dominican Republic (2016–2017), El Salvador (2018–2019), Guatemala (2016–2017), Honduras (2016–2017), Jamaica (2016–2017), Mexico (2018–2019), Panama (2015–2016), Saint Kitts and Nevis (2016–2017), Saint Lucia (2016–2017) and Trinidad and Tobago (2014–2015). In the case of the Bolivarian Republic of Venezuela, mirror statistics are used, i.e. the import declarations of the country's trading partners.

In 2020, the virulence of COVID-19 has weighed heavily on the growth of the region's three main trading partners (see section I.A on the international context) and led to a sharp drop in the volume of the region's goods exports.

While this decline is widespread, the fact that China's recovery has been faster and slightly more dynamic appears to be helping South America, particularly the countries exporting agricultural products and metals, to partly offset the effects of the pandemic on the subregion's other trading partners. For exporters of agricultural products, this is because the demand for agrifood products is the least diminished, and for metal exporters, because the construction and infrastructure sectors, in which demand for copper and iron are strong, are experiencing a more dynamic recovery in China.

Of the three major goods-exporting countries in the Caribbean, the contraction is expected to be smaller in Suriname and especially in Guyana, where the main export is gold, which is perceived as a safe haven during this crisis. For Trinidad and Tobago, however, a strong impact is expected owing to weaker international demand for gas and oil products, as a result of the halt in international industrial activity and transport.

Trade-related effects have also been felt through the disruption of global value chains, which has had the largest impact on the countries of Latin America and the Caribbean that are the most integrated into these value chains.

Although Latin America and the Caribbean as a region is not one of those most integrated into global value chains, some industries have faced difficulties in continuing production, especially in Brazil and Mexico, because of their higher degree of integration into these chains, and as a consequence of the manufacturing interruptions in their supplier countries —mainly China— as well as the closure of borders and logistics problems.

According to the index of global value chain integration (see table I.3), Mexico is the most integrated country in the region, followed by Brazil, which has seen the largest increase since the global financial crisis of 2008.

Table I.3
Latin America and the Caribbean (7 countries): index of global value chain integration, 2007 and 2015

Country	2007	2015
Mexico	0.45	0.47
Brazil	0.32	0.37
Chile	0.33	0.32
Costa Rica	0.37	0.32
Colombia	0.32	0.32
Peru	0.31	0.29
Argentina	0.31	0.28

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD), Trade in Value Added (TiVA) [online database] https://stats.oecd.org/Index. aspx?DataSetCode=TIVA_2018_C1#.
Note: This index is available only up to 2015. It is based on the quotient of the sum of the external value added of a country's total exports and intermediate goods imports, and the sum of total exports and imports. An index closer to 1 indicates greater global value chain integration.

The dependence of some manufacturing sectors in Brazil and Mexico on parts from suppliers in China, coupled with disruptions in production and mobility restrictions owing to the quarantine implemented in that country, had negative effects on sectoral production, given the impossibility of finding alternative suppliers quickly.[15] As global chains often employ just-in-time inventory systems to minimize costs, several industries have suffered from shortages of inputs, parts and components, such as the electronics, auto parts and pharmaceutical industries in Argentina, Brazil and Mexico, and the textile sector in Central America (Giordano, 2020).

As a result of the trends described above, trade in Latin America and the Caribbean is projected to fall in 2020. Exports are projected to decline by 23%, including a 12% contraction in volumes and, for the reasons mentioned in the section on commodity prices and the terms of trade, an 11% decrease in prices. Imports are also expected to contract this year, by 25% in value, following the sharp drop in activity in all the economies of the region. The decline in the components of aggregate demand, such as investment and consumption, has manifested itself in a decrease in imported volumes (projected to be 18% for the full year), while prices are expected to fall by 7% (ECLAC, 2020e).

In light of these projections, the region's trade surplus is expected to increase (from US$ 24 billion in 2019 to US$ 45 billion in 2020), as a result of a larger contraction in imports than that in exports.

3.   Remittances: these dropped sharply in several countries because of the crisis and the poorest countries in the region have been hit the hardest

Remittance flows to the region increased by 6% per year on average between 2010 and 2019, amounting to some US$ 97 billion last year, that is, about 1.8% of regional GDP. However, the economic crisis in the countries where the region's migrants reside, which has led to higher unemployment and a reduction in workers' income, is affecting remittance flows to several recipient economies in Latin America and the Caribbean.

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[15]   For example, Samsung and Motorola were forced to stop production of cell phones in Brazil owing to the lack of parts from China (Canuto, 2020).

The main countries of origin —the United States in the case of Mexico and the economies of Central America and the Caribbean, and some European countries in the case of the economies of South America (see table I.4)— are experiencing sharp contractions in GDP and increases in their unemployment levels this year, from 7.6% in 2019 to 9.8% in 2020 in Europe, according to the European Central Bank (ECB), and from 3.9% in 2019 to 9.3% in 2020 in the United States, according to the Federal Reserve (2020). The countries of the region itself, which are the second largest source of remittances for several countries, are also suffering from severe economic downturns and job losses. Moreover, migrant workers are among the hardest hit by the health crisis, which has particularly affected the sectors in which they are traditionally employed, such as construction, restaurants and hotels (ECLAC, 2020c).

Table I.4
Latin America and the Caribbean: average remittances received from the United States and European countries, by subregion,[a] 2017
(Percentages of GDP)

Remittances from	Central America, Dominican Republic, Haiti and Mexico	The Caribbean[b]	South America[c]
United States	9	3	0.4
Europe	1	1	0.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators [online] http://data.worldbank.org/data-catalog/world-development-indicators and Migration and Remittances Data 2017 [online] http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data.
[a] Although the medians for each subregion are used instead of averages, the results are very similar.
[b] Includes the following 12 countries: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.
[c] Includes the following 10 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

As a result of the above, the World Bank projects a double-digit decline in remittances to most countries in Latin America and the Caribbean compared to the 2019 level (World Bank, 2020b).

The negative trend in remittances has a much greater impact on the countries in the region that depend the most on these flows. This is the case in Haiti —where remittances account for roughly 33% of GDP—, El Salvador and Honduras —where they account for 20%— and several other countries that, generally, reflect the region's lowest per capita incomes (see figure I.13).
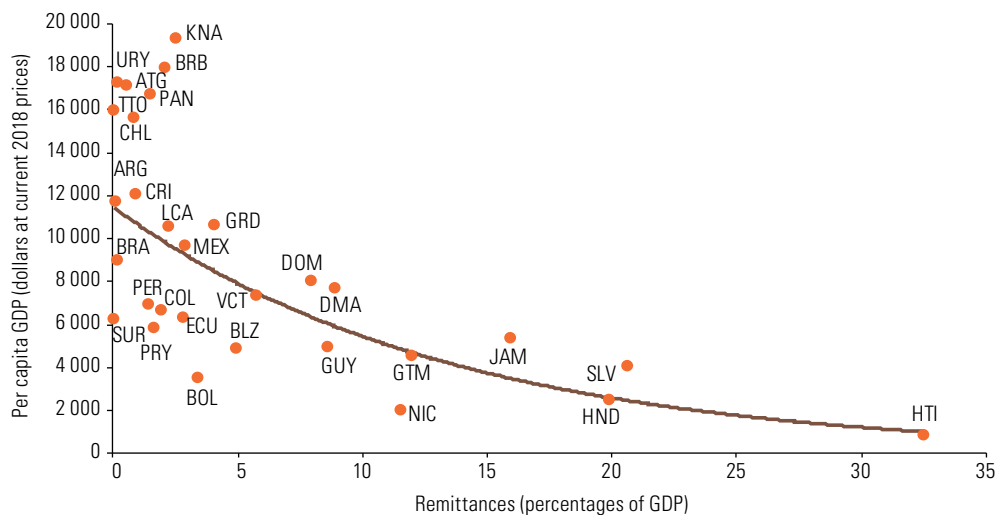
Figure I.13
Latin America and the Caribbean (30 countries): per capita GDP and remittance flows as a percentage of GDP, 2018
(Dollars at current 2018 prices and percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators [online] http://data.worldbank.org/data-catalog/world-development-indicators.

Given that between 80% and 90% of remittances are used to cover the basic needs of recipient households (food, health and housing), this contraction will have significant effects on these countries, aggravating the situation resulting from low income levels and increasing poverty levels (ECLAC, 2020c).

As remittances constitute the bulk of the current transfer balance within the balance of payments, the latter is expected to deteriorate in 2020. The balance is likely to decrease in both Central America and the Caribbean, which usually record surpluses (more than 4 points of GDP in both cases).

4.   Trade in services: the services balance is expected to deteriorate, especially in the Caribbean, owing to the contraction of international tourism revenues

As already discussed in section I.A (on the international context), the COVID-19 crisis has hit international trade in services unusually hard. While the sharp contraction in economic activity and world trade in goods has translated into weaker demand for business, transport, insurance and other services, tourism has been the hardest hit, given the particular nature of this crisis (ECLAC, 2020b). As this was originally a health crisis, restrictions on the movement of people, the closure of borders and the suspension of cruises and international flights have led to a much greater collapse in tourism than in previous crises.

The World Tourism Organization (UNWTO) estimates that, in the first four months of 2020, tourism tumbled by 44% globally, and for the full year, could plummet by between 60% and 80%, the worst since the series began in 1950 (ECLAC, 2020b).[16] All the subregions of Latin America and the Caribbean have seen a drop in demand for tourism services. International tourist arrivals in the first five months of the year fell by 45% in South America, 50% in the Caribbean, 34% in Mexico and 46% in Central America compared with the corresponding period in 2019 (UNWTO, 2020b).

However, although there has been a drop in tourism throughout the region, it is the countries of the Caribbean and Central America that are most exposed to the negative impact of this shock, given the importance of the sector to their economies. Tourism service exports account for 80% of total service exports in the Caribbean and 45% in Central America.[17] In turn, these two subregions are strong net exporters of services (their total service exports account for 26% and 12% of GDP, respectively), and are likely to see the overall balance of services in their balance of payments deteriorate sharply this year.[18]

The heavy weight of the tourism economy —its direct, indirect and induced contribution[19]— in the total GDP and total employment of these countries (see figure I.14) means that the crisis is likely to have a significant impact on employment, household income and poverty levels. The tourism economy accounts for more than 20 points of GDP in the countries of the Caribbean (except Guyana, Suriname and Trinidad and Tobago), and more than 40 points of GDP in several of them. The weight of tourism in employment is even greater, at about 90% in Antigua and Barbuda and almost 80% in Saint Lucia.

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[16]   The figures refer to international tourist arrivals.

[17]   The countries of the Central American isthmus, the Dominican Republic and Haiti are considered part of Central America. The figures for the Caribbean refer to 2018, as this is the most recent year for which complete information is available for all the countries.

[18]   Trinidad and Tobago is excluded, as this country is a major exporter of hydrocarbons and not of services, and has the highest GDP in the subregion, so its inclusion would distort calculations.

[19]   The World Travel and Tourism Council (WTTC) defines the direct contribution as the direct impact on the GDP of the food, lodging, entertainment, recreation and transport sectors, and other services related to travel and tourism. The indirect contribution includes investment in and public spending on tourism, and the internal supply chain's impact on other sectors. The induced contribution refers to the impact of the income earned directly and indirectly that is spent on the local economy.

Latin America and the Caribbean (33 countries): contribution of the tourism economy to GDP and employment, 2019
(Percentages)
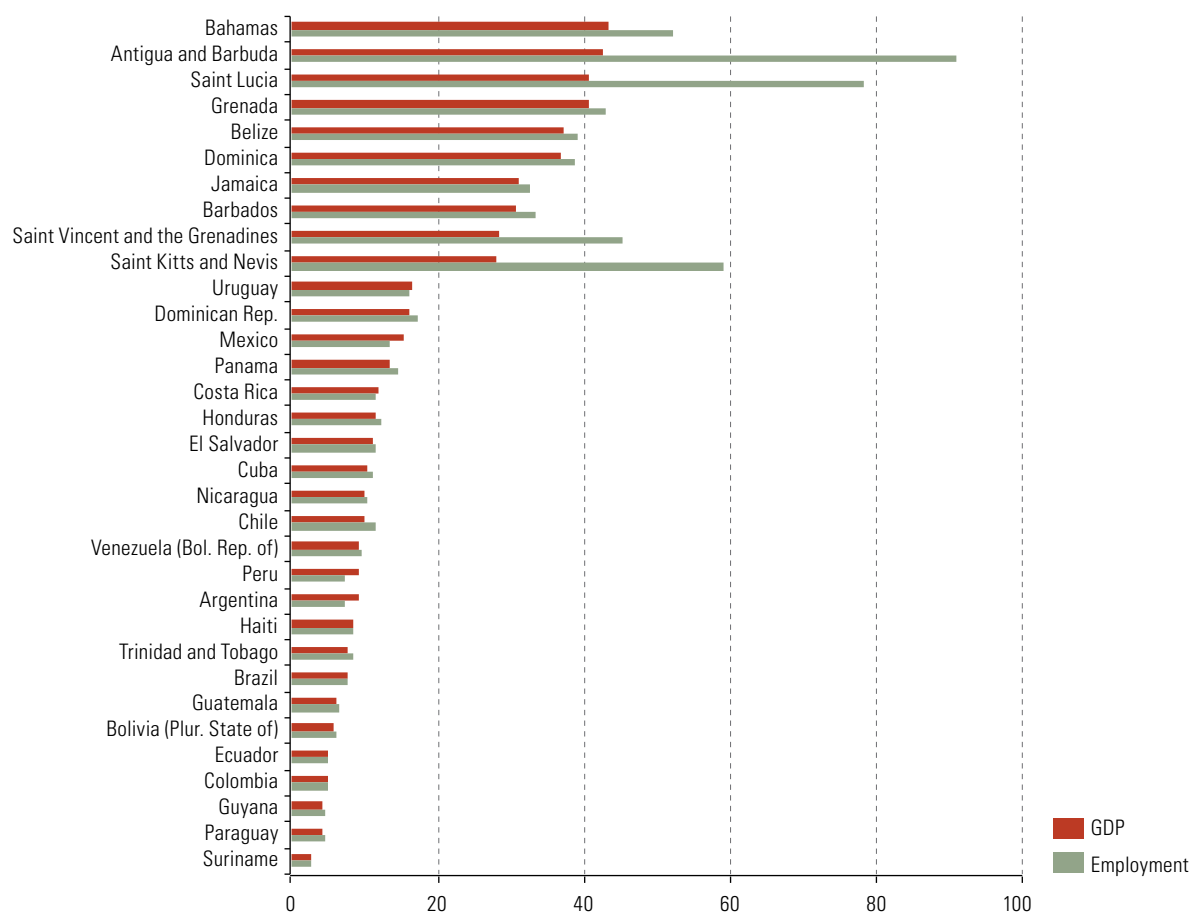
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from World Travel and Tourism Council (WTTC).
Note: The contribution to GDP of the tourism economy includes the direct, indirect and induced contribution.

At the global level, domestic and regional tourism are expected to be the first to begin the process of reactivation, followed by international tourism. This is already being observed in developed countries, which have slowly begun to lift restrictions on movement within their borders before opening them and reactivating international flights and travel.

This process is not expected to benefit the region's economies, where international tourism (from the United States, Canada and Europe) accounts for the largest share of tourism receipts, barring exceptional cases such as Brazil and Mexico, where domestic tourism is significant (Sanz, 2019). Furthermore, although there is already a trend of focusing on national tourism to reactivate the sector while the recovery of international tourism is delayed, this strategy is not possible in the majority of economies that depend most heavily on tourism, given the low level of income of their inhabitants.

In conclusion, the services balance is expected to deteriorate in the region as a whole, since the countries most geared towards exports are being hit hard and this trend is unlikely to be reversed in the medium term.

5. Income: the income balance is projected to improve this year owing to the weaker repatriation of profits abroad, even though net interest payments could increase

Historically, the income account has posted the most negative balance within the current account, pointing to high net outflows of funds abroad for the region as a whole. The main component of the income account were outflows for net interest payments on foreign debt, but since the 2000s —and coinciding with more inward foreign direct investment (FDI) for the region— the higher net outflows of funds correspond to profit remittances by transnational companies established in the region to their headquarters abroad (ECLAC, 2016).

The COVID-19 pandemic affects the income balance in the region mainly through two mechanisms. The first is the inverse relationship between the income balance and commodity prices (see figure I.15).

Figure I.15
Latin America: export price index and income balance, 1990–2019
(Index=100 in 2010 and billions of dollars)
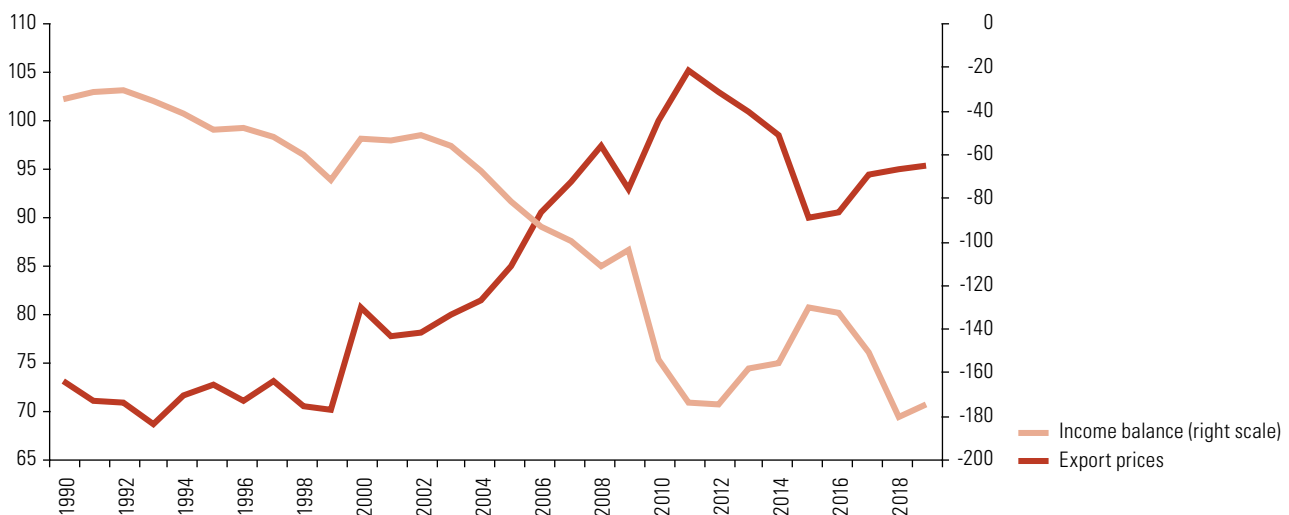
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from the countries.

Falling commodity prices (and, consequently, the export prices of exporting countries) weaken the earnings of transnational companies, reducing the repatriation of earnings to parent companies. Given the trend in commodity prices this year (see section I.A on the international context), outflows of foreign investment income are forecast to decline in 2020, and thus the income deficit would be reduced through this mechanism.

Meanwhile, as regards the second mechanism, and as will be seen at the end of this section, the countries of the region have been active in international debt markets so far this year, with large issues, especially related to governments' increased financial needs for spending on the pandemic. It is to be expected, then, that as external debt balances increase, so will the region's interest payments abroad, with the consequent negative impact on the income balance. In any case, the more significant impact is likely to derive from the first mechanism, which accounts for the bulk of the region's income outflows, and not the second mechanism. In this regard, the income balance for the region as a whole could be expected to improve in 2020.

6. While only assumptions can be made regarding the full impact of the external shock on the balance-of-payments current account of Latin America and the Caribbean, a reduction in the deficit for the region as a whole in 2020 is possible

The current crisis is of an unusual magnitude and has originated from a double shock, both external and domestic, which is unprecedented in the history of the region and the world. As a result, the final impact on the current account of Latin America and the Caribbean can only be assumed.

As mentioned above, the external shock has weighed heavily on exports, but this should be more than offset by the reduction in the value of imports —as a result of weaker activity—, resulting in an improvement in the balance of goods. A worsening of the aggregate services balance for the region is likely, given that international trade in services —particularly tourism— is one of the sectors that has been hit hardest by the pandemic. The balance of current transfers —mainly comprising migrants' remittances— is also expected to deteriorate, owing to rising unemployment and falling incomes in the countries of origin, which will reduce these flows to the countries of the region. The countries in which this balance is likely to deteriorate most are those of Central America and the Caribbean, since they are the main recipients. Finally, as already mentioned, the income balance could be expected to improve.

As a result, if the recovery in the goods balance continues (owing to the contraction in imports) and income outflows remain low, the current account deficit may decrease compared to the levels reached in 2019 (see figure I.16), before increasing again as the economies recover.

Figure I.16
Latin America and the Caribbean: current account balance of the balance of payments, by component and subregion, 2016–2019
(Percentages of GDP)

A. South America
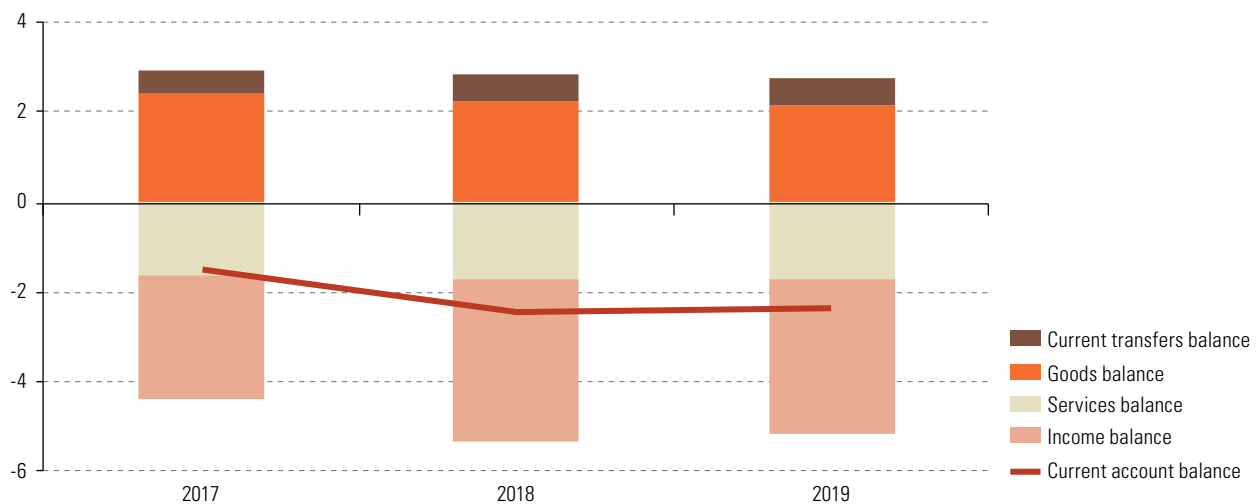
Figure I.16 (concluded)

B. Central America and Mexico[a]
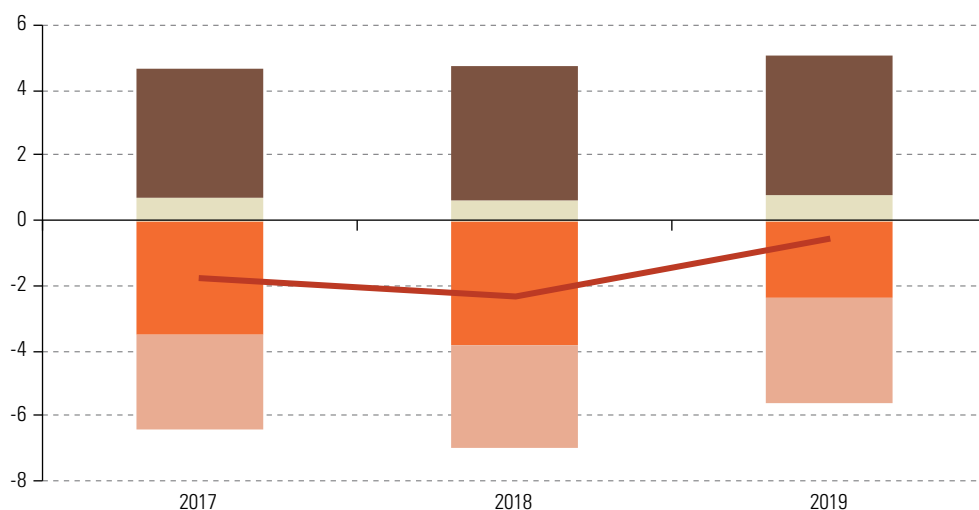
C. The Caribbean
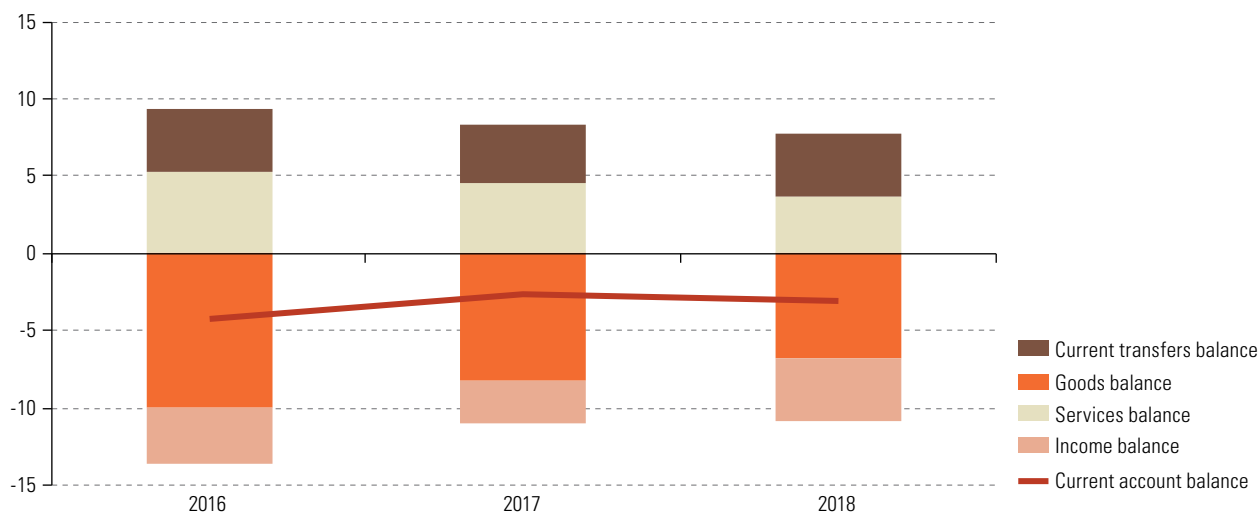
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Includes the Dominican Republic and Haiti.

7. Finance: although the financial conditions facing the region began improving as of the end of March, there is still a very high level of uncertainty as the pandemic and its strong economic and social effects persist

In the first quarter of 2020, net financial flows to the region (cumulative over four quarters, not including foreign direct investment) dropped sharply, by around US$ 50 billion, representing a decline of 126% compared to the fourth quarter of 2019.[20] This reduction continued for much of April, as shown by the indicator of financial flows developed by ECLAC, and a recovery phase began thereafter (see the methodology used in box I.1).

20   As of the closing date of this publication, balance-of-payments information was available for only four countries (Brazil, Chile, Mexico and Peru), which nevertheless account for 70% of the region's total financial flows (according to the average for 2018 and 2019) and thus are representative of what has happened at the aggregate level in Latin America. These figures are cumulative over four quarters.

Box I.1
Advanced indicator of financial flows

In order to determine the trend in financial flows in the first half of the year, an indicator based on daily indicators was used, which provided a very good estimate of the effective flows, along with advance information on the expected financial flows of the balance of payments (which are published with a delay of a few months). This indicator, or financial flow tracker, is based on the methodology used by Bloomberg for all emerging countries.[a]

As shown in the figure below, the series reflects a trend similar to the effective series of financial flows in the region. The correlation between this indicator and financial flows to Latin America, excluding foreign direct investment, is 0.7. The indicator contracted during the global financial crisis and subsequently recovered, as did financial flows. Around 2015, there was another decline during the sell-off in China's stock markets and its spread to the rest of the world.[b]

Net financial flows (excluding net foreign direct investment) to Latin America and advanced indicator
of financial flows, fourth quarter of 2007–fourth quarter of 2019
(Billions of dollars and index=100 as of the fourth quarter of 2007)
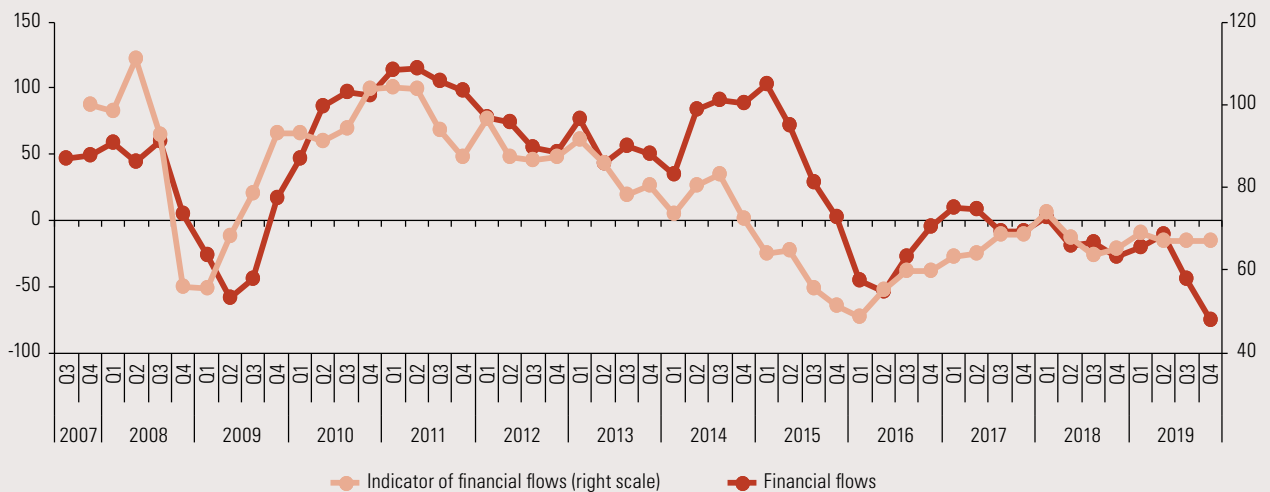
Indicator of financial flows (right scale)   Financial flows

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of balance-of-payments data from the countries and Bloomberg.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of balance-of-payments data from the countries and Bloomberg.
[a] The capital flows indicator is a weighted average of Standard & Poor's commodity price index (10%), the MSCI index of stock prices for Latin America (30%), the Emerging Market Bond Index Global (EMBIG) for the region (30%) and the index of carry trade operations for Latin America (30%). This indicator is not intended to measure the magnitude of flows, but only the overall trend and the direction of change.
[b] This also coincided with capital outflows as a result of the crisis in Brazil.

Figure I.17 shows the trend in financial flows —estimated through the ECLAC indicator— from the beginning of different episodes or crises in recent years. The net outflows of capital (other than foreign direct investment) in the first four months of 2020 have been even stronger than in the global financial crisis of 2008–2009. However, according to the most recent information available until the end of July, the recovery has been faster. In the case of the global financial crisis, there was a period of stabilization following the collapse, but at levels well below those seen at the beginning of the crisis, while in 2020 the trend was reversed and flows recovered much faster as from late April and early May. This result is consistent with the general improvement in global financial markets, following the strong measures implemented by the central banks of the United States and the European Union (see section I.A, on the international context), which have succeeded, inter alia, in reducing demand for dollar-denominated funds, improving stock market indices and reducing the VIX volatility index.

Latin America: financial flows indicator of the Economic Commission for Latin America and the Caribbean (ECLAC)
(Index=100 at the start of the episode, t=0)
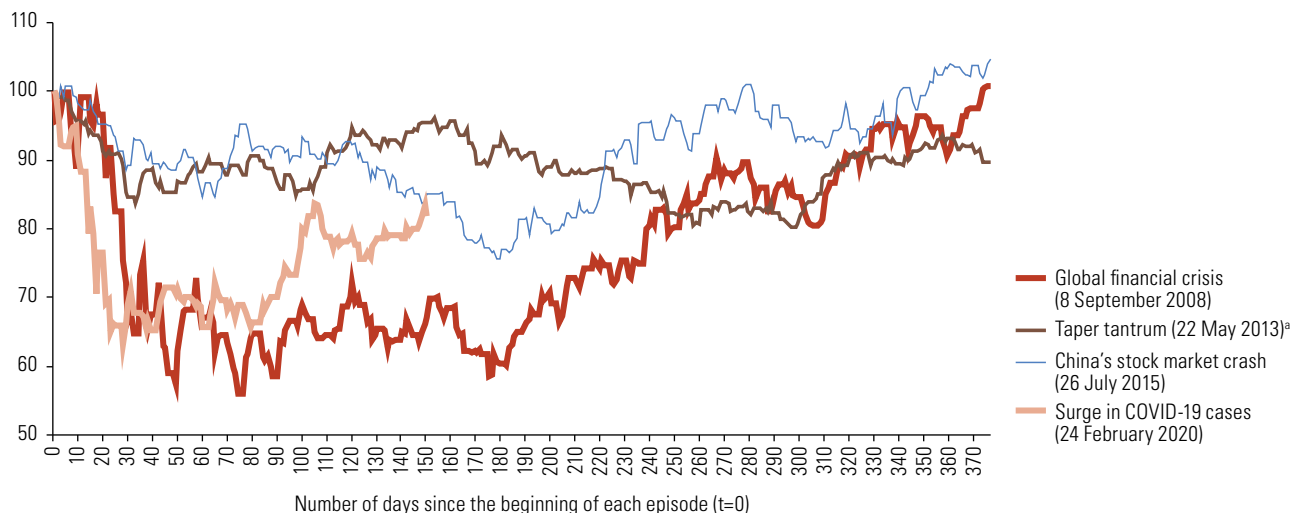
Legend:
- Global financial crisis (8 September 2008)
- Taper tantrum (22 May 2013)[a]
- China's stock market crash (26 July 2015)
- Surge in COVID-19 cases (24 February 2020)

Number of days since the beginning of each episode (t=0)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.
[a] The term "taper tantrum" was coined in mid-2013 to refer to the period of financial turmoil after markets were taken by surprise by the Federal Reserve's announcement that it would start winding down asset purchases under the quantitative easing programme early and overreacted by selling off financial assets and currencies, especially those of emerging countries.

The lack of demand for regional financial assets in the first months of the year was also reflected in other regional financial variables. Overall, country currencies depreciated against the dollar (see section I.D.10 on exchange rates), stock indices fell sharply and regional government bonds lost value, leading to significant increases in spreads reflecting sovereign risk.

The MSCI index for Latin America, a stock market index of asset prices in dollars, lost almost half its value in a single month, between the third week of February —when the COVID-19 outbreak was declared a pandemic— and the third week of March —when the trend changed as the measures implemented in the main developed countries advanced. By 27 July 2020, the index was already 26% above the level seen on 23 March (see figure I.18).[21]

Latin America: MSCI stock market index, January 2016–July 2020

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

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[21] The MSCI index measures stock prices based on market capitalization. The MSCI index for Latin America includes companies from Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Latin America's sovereign risk, as measured by the Emerging Market Bond Index Global (EMBIG), which in December 2019 had recorded its lowest value since June 2014 (346 basis points), reached 702 points in April during the COVID-19 crisis, reflecting a rise of 356 basis points in four months (see figure I.19). The regional performance is worse than that of emerging markets overall, for which the index showed an increase of 280 basis points and closed at 557 points in April. Since then, following the trend of improving financial conditions, EMBIG has declined, and closed at 506 basis points in the third week of July.

The reality of the different countries is very mixed, since, although EMBIG has risen in all of them since December 2019, the increase has been more dramatic in some. In Ecuador, for example, it rose 4,300 points up to April, and in Argentina, it increased by more than 2,000 points, peaking in March. Other countries, such as Brazil, Chile, Panama, Peru and Uruguay, have experienced much more modest increases of between 150 and 200 basis points since December. From that point, EMBIG has reflected a downward trend in all the countries, except the Bolivarian Republic of Venezuela, for which sovereign risk has continued to rise, exceeding 31,000 basis points in July.

Figure I.19
Latin America (10 countries): sovereign risk according to the Emerging Market Bond Index Global (EMBIG), January 2004–July 2020
(Basis points)

	31 December 2019	28 February 2020	31 March 2020	30 April 2020	31 May 2020	30 June 2020	21 July 2020
Argentina	1 744	2 283	3 803	3 472	2 627	2 495	2 356
Brazil	212	251	389	420	388	373	339
Chile	135	180	301	284	226	211	196
Colombia	161	212	376	392	288	293	253
Ecuador	826	1 466	4 553	5 129	3 907	3 373	2 693
Mexico	292	372	653	656	536	526	489
Panama	114	164	283	282	237	212	190
Peru	107	156	265	257	191	182	164
Uruguay	148	196	298	301	243	215	186
Venezuela (Bolivarian Republic of)	14 740	12 246	19 270	22 140	27 907	30 757	31 365
Latin America	**346**	**428**	**703**	**702**	**581**	**552**	**506**

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

8. International debt issuance in Latin America and the Caribbean grew strongly in the cumulative period from January–June 2020, compared to the corresponding period in 2019

Although this may seem counter-intuitive initially, it is not, as it resulted from very limited debt issues in February and March —when global financial conditions were worse for developing countries—, which were more than offset by the growth in these debt issues from April onward, when the countries of the region —particularly governments— issued large amounts of debt in the context of a growing need for financing to tackle the pandemic. The improvement in global financial conditions, which was much faster than in previous crises,[22] allowed governments and public enterprises to access credit markets on favourable terms.

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[22] The deterioration of financial conditions because of the COVID-19 crisis occurred in February and by April, the countries of the region had managed to issue new debt. As a reference, during the global financial crisis, after the collapse of Lehman Brothers, it took between four months and one year —depending on the sector— for the countries of the region to start issuing new bonds in international markets.

Between January and June 2020, total debt issues amounted to US$ 88.691 billion, 56% higher than in the year-earlier period. Quasi-sovereign bond issues nearly tripled, thanks mainly to the Petrobras debt issues, while corporate bond issues fell by 15% in this period, showing the more cautious approach adopted by private companies in light of the decline in economic activity. However, sovereign bond issues reflected the biggest increase in absolute terms, rising by US$ 15.3 billion between January and June 2020, an increase of 67% over the same period in 2019.

As a result, this sector accounted for the largest share of debt issues, at 43% between January and June 2020, followed by the quasi-sovereign sector at 22% and the corporate sector at 20%. The banking sector represents 12% of the total, and the supranational sector, 3%.

Between the end of March and June, several sovereign debt issues were recorded, confirming the scenario of favourable conditions for access to international markets. Sovereign social bond issues, such as that of Guatemala in April, stand out. Of the US$ 1.2 billion issued, US$ 500 million is earmarked for the funding of measures to control the spread of the virus. Mexico issued a sovereign bond amounting to US$ 6 billion in April at a rate of around 5% and which was 4.75 times oversubscribed. Chile issued a bond amounting to US$ 2 billion in May at an even lower rate of 2.5% (see table I.5). Brazil issued US$ 3.5 billion of debt in two different placements, maturing in five and ten years, at historically low interest rates. This debt issue was five times oversubscribed. Colombia also carried out two placements totalling US$ 2.5 billion and reflecting the highest demand ever for external placements of that country, at a rate that was also the lowest in history. At the end of June, Uruguay issued, bought back and swapped debt for a total of US$ 2 billion. One of the objectives was to increase the proportion of debt issued in local currency. To this end, the country issued a bond in indexed units, equivalent to US$ 1.1 billion, and maturing in 2040. Uruguay also issued another bond of US$ 400 million, which matures in 2031, and carried out a bond swap with new issues of US$ 500 million. The government's handling of the pandemic earned it a good rating in international markets, with calls to buy the country's debt, thereby improving financing conditions. Also in late June, Honduras placed US$ 600 million in 10-year sovereign bonds at a rate of 5.6%, a historically low value for the country.

Table I.5
Latin America and the Caribbean (11 countries): sovereign bond issues in international markets, 26 March–24 June 2020

Date	Country	Amount (billions of dollars)	Interest rate (percentages)	Oversubscribed[a] (number of times)
26 March 2020	Panama	2.5	4.50	3.00
16 April 2020	Peru	3.0	2.70	8.00
22 April 2020	Mexico	6.0	5.00	4.75
23 April 2020	Paraguay	1.0	4.95	7.00
6 May 2020	Chile	2.0	2.50	5.85
15 May 2020	Guatemala	1.2	5.80	6.75
1 June 2020	Colombia	2.5	3.80	5.30
1 June 2020	Trinidad and Tobago	0.5	4.50	3.30
3 June 2020	Brazil	3.5	3.64	5.15
20 June 2020	Honduras	0.6	5.60	-
24 June 2020	Uruguay	2.0	3.60	3.05

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Oversubscription refers to the number of times the amount demanded in a debt issue exceeds the amount supplied.

To sum up, at the country level, the strong increase in debt issues is explained by the capacity of both governments and public enterprises to issue debt under more favourable conditions, which in turn reflect greater investor appetite for risk.

That said, and given that the pandemic is ongoing, it is impossible to rule out a new period of strong risk aversion in international financial markets, with the resulting negative impacts on financial conditions in the region, which would be even worse in a context of increasing needs for financing and for access to international credit markets on favourable terms.

C.   Domestic performance

1.   Latin America's GDP contracted in the first quarter of 2019

Economic growth was negative in the first quarter of 2020 in 8 of the 20 Latin American economies, and slowed in 14 (see figure I.20). As a result, Latin America entered recession in that quarter, with a 1.53%. contraction year on year. Outright contractions were posted by Argentina (-5.2%), the Bolivarian Republic of Venezuela (-29.8%), Brazil (-0.3%), Cuba (-3.7%), Ecuador (-2.4%), Haiti (-3.1), Honduras (-1.2), Mexico (-1.4) and Peru (-3.4).
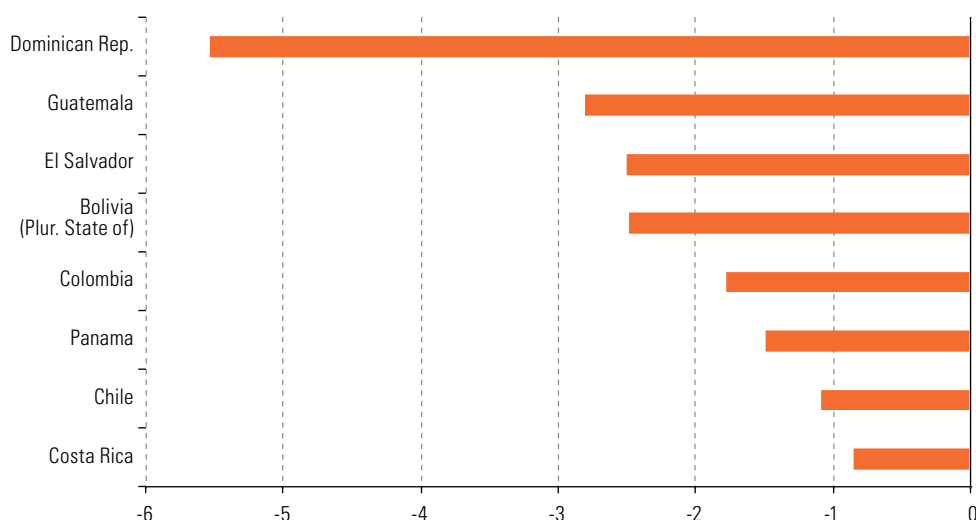
Figure I.20
Latin America: year-on-year slowdown in GDP growth, first quarter of 2020
(Percentage points, on the basis of dollars at constant 2010 prices)

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

The contraction in regional GDP reflects both the heavy fall in all domestic demand components and lower external demand. These were compounded by the health measures put in place from mid-March onward to contain the COVID-19 pandemic, which brought the production of goods and services to a full or partial halt in various sectors of economic activity. This has upset companies' income flows and their investment decisions and has impacted employment and, therefore, consumption owing to reduced income prospects.

Short-term indicators of sectoral activity in selected countries show that the contraction at the regional level sharpened in April, with falls of 23.5% in manufacturing, 31.7% in commerce and 45.8% in construction (see figure I.21).

Latin America's GDP contracted by 1.53% year on year in the first quarter. The effects of the pandemic began to be felt in the countries of the region around mid-March, on average. Generally speaking, domestic demand showed negative growth, with each component —private consumption, government spending and investment— showing negative annual variation and making negative contributions to GDP growth. Only external trade made a positive contribution, owing to both slight growth in exports and a significant drop in imports.

Figure I.21
Latin America: year-on-year growth rate of manufacturing, construction and commerce, January 2019–May 2020
(Percentages, on the basis of dollars at constant 2010 prices)
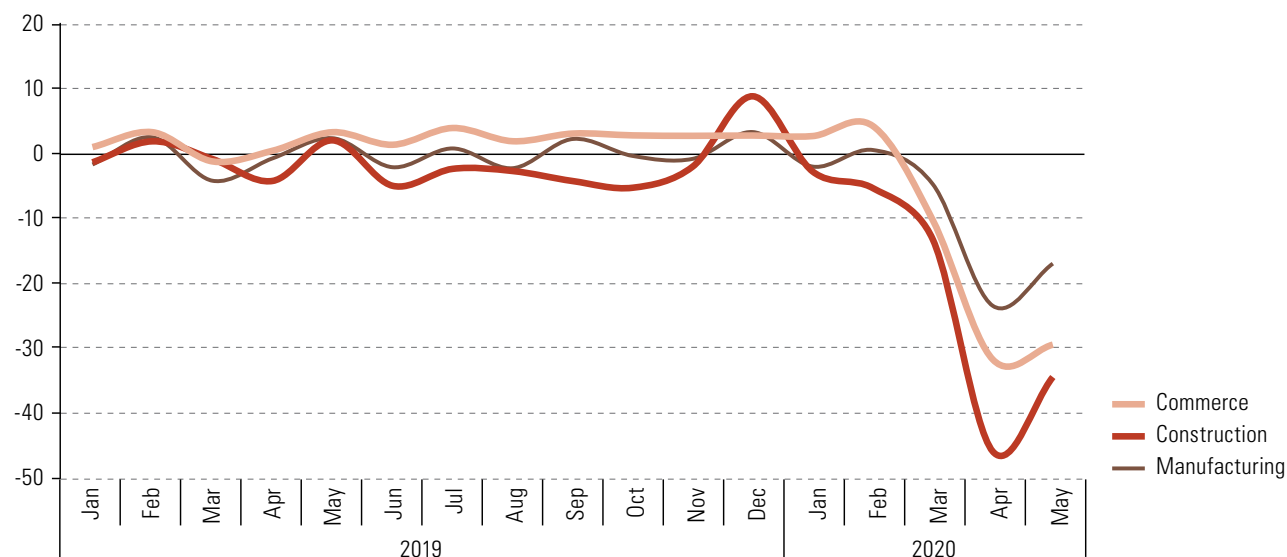
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

By subregion, both South America and the group comprising Mexico and Central America show contractions in the first quarter of 2020 compared with the prior-year quarter (see figure I.22). This was despite the dissimilar characteristics of the South American economies with respect to those of Central America and Mexico, as the former specialize in the production of commodities, especially oil, minerals and food, while the latter are mainly linked to growth in the United States. Regardless of specialization and trading partners, each subregion and all its countries have been strongly affected by the widespread contraction in external demand, as well as by the domestic effects of health measures taken to contain the pandemic, which have resulted in falls in domestic demand and limitations on the production of non-essential goods and services.

Figure I.22
Latin America: year-on-year GDP growth rates, first quarter of 2014–first quarter of 2020
(Percentages, on the basis of dollars at constant 2010 prices)
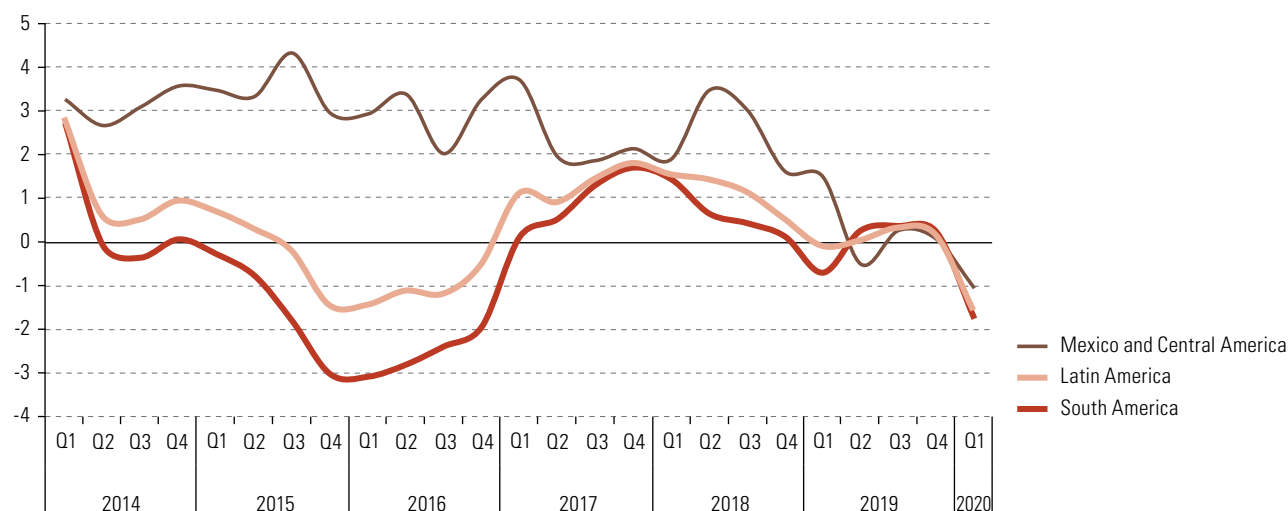
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The economies of South America will post average first-quarter growth of -1.71%, a rate weaker by 1.0 percentage point than in prior-year period. Growth in the economies of Central America slowed even more heavily in the first quarter, by around 3.0 percentage points, to 0.5%. In the group comprising Central America and Mexico, first-quarter growth was -1.07%, a figure 2.57 percentage points down on the same period in 2019.

2.   Economic activity fell in the second quarter of 2020

Economic activity has been hit badly by measures taken to contain the spread of COVID-19. The data show that activity dropped significantly in April, exceeding the worst expectations and confirming the severe effects of lockdown. According to preliminary figures, the heaviest downturns have occurred in commerce, construction and, to a lesser extent, manufacturing (see figure I.23).

Figure I.23
Latin America (selected countries): activity indicators in manufacturing, construction and commerce, January–May 2020
(Index: January 2020=100)
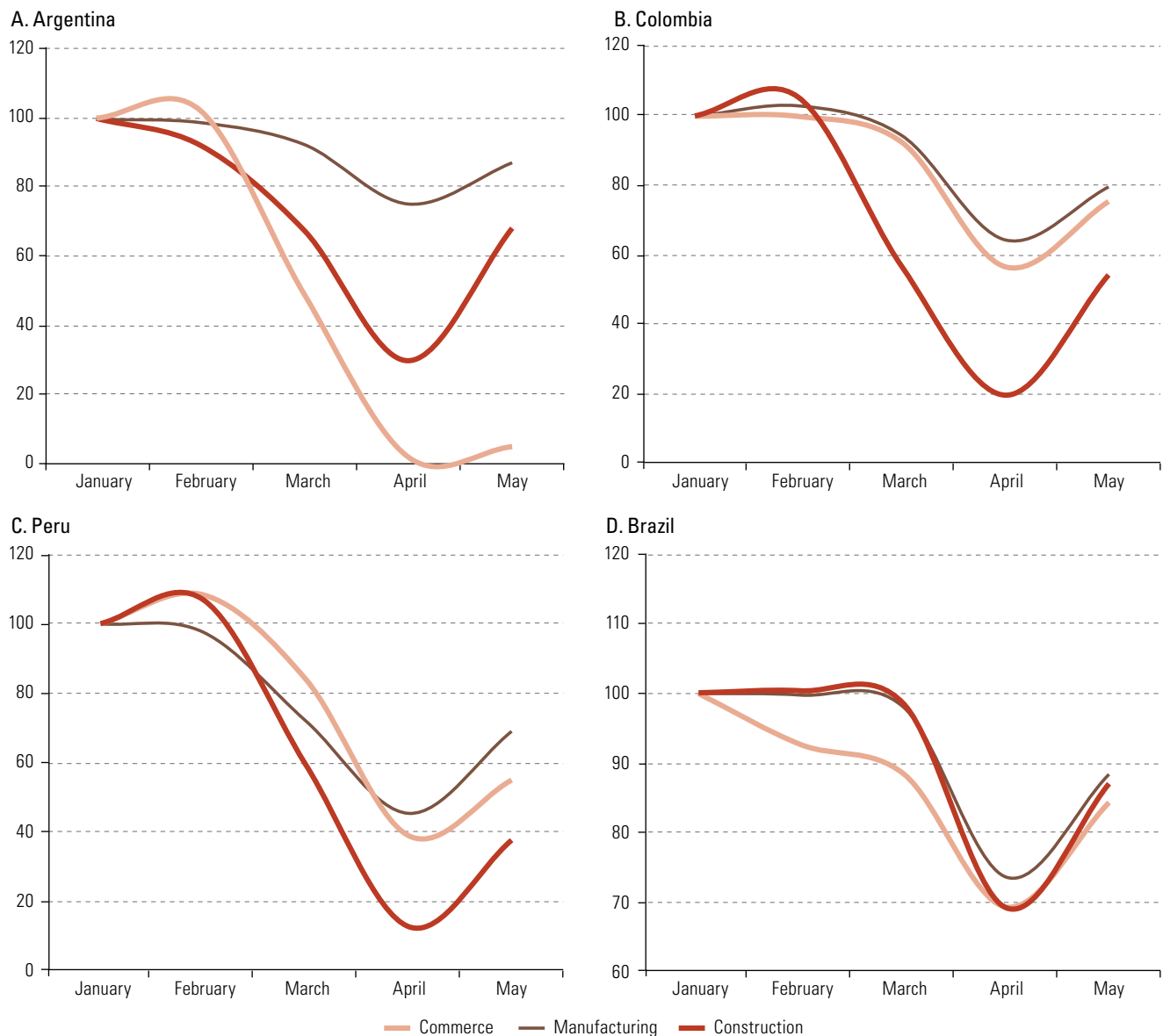
Figure I.23 (concluded)
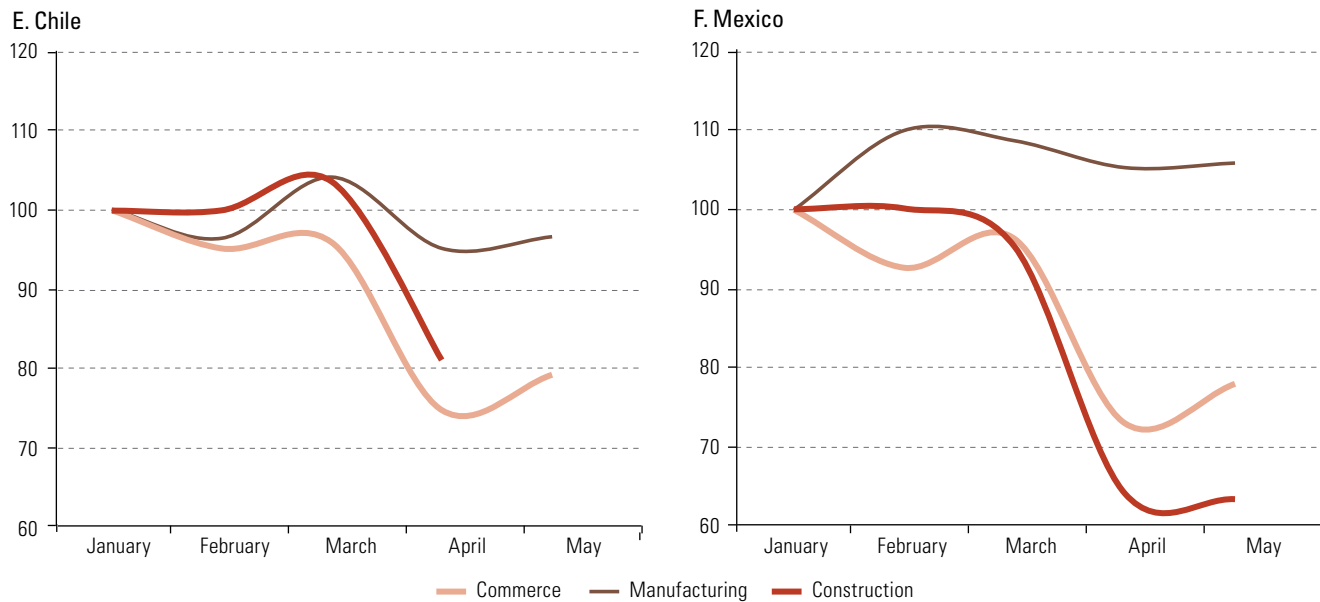
E. Chile

F. Mexico

Commerce — Manufacturing — Construction

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

The depth of the decline in April and May confirms the bleak panorama of economic activity and suggests that economic normalization will take some time. This is compounded by the slowness of countercyclical policies, deteriorating investment conditions and the potential stagnation of recovery once the epidemic is brought under control, owing to potential major outbreaks of the disease triggering the re-establishment of lockdowns.

3. The contraction in regional GDP reflects both the heavy fall in all domestic demand components

Private consumption has been one of the hardest hit components of demand. Household spending declined rapidly as a result of lockdowns imposed by the authorities in many countries, voluntary self-isolation and the standstill in many non-priority activities. In addition, family incomes have fallen owing to the loss of employment.

Labour market performance —with a large deterioration in the first quarter— corroborates the adverse outlook for consumption. The fall in employment and rise of around 1 percentage point in the unemployment rate, together with a shift towards lower quality jobs, such as own-account work, have led to a deterioration in average income. The fall in the terms of trade has also contributed to the fall in income, while domestic credit has fallen and currency depreciation has pushed up the cost of imported goods in the countries.

Public consumption, despite posting negative growth in the first quarter of 2020, is the only spending component to show a trend reversal. This may reflect lesser need for fiscal adjustment, given the time the region's governments have been gearing efforts towards keeping fiscal accounts under control, as well as the initiation of fiscal policies to deal with the pandemic (see figure I.24).

Gross fixed capital formation has contracted as a result of increased uncertainty, higher costs —through national currency depreciation—, the fall in stock markets and the tightening of financial conditions. The performance of domestic demand has been market by a heavy fall in inventories, which have been shrinking for five straight quarters, at faster rates than in previous years (see figure I.25). In the first quarter of 2020, the slump in inventories shaved 1.5 points from GDP growth. The causes of this continuous

collapse in inventories are not immediately obvious, but may initially have reflected a response by both producers and importers to mounting global uncertainty amid steadily deteriorating future growth expectations. In turn, this may indicate over-accumulation previously, based on demand expectations that ultimately proved over-optimistic and worsened in the first quarter of 2020.

Figure I.24
Latin America: contribution of private consumption, public consumption and investment to GDP growth, first quarter of 2014–first quarter of 2020
(Percentages)
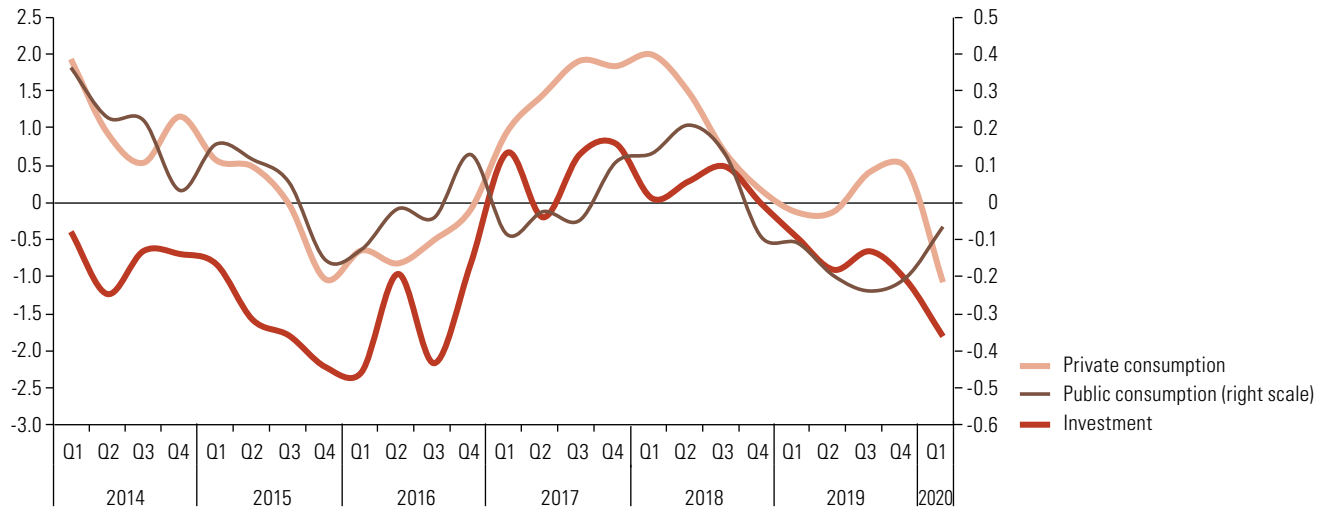
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Export growth, which had risen during much of 2019, slowed at the end of the year and stood still in the first quarter of 2020. This was associated mainly with a significant drop in world trade flows as a result of sluggish global economic conditions. Imports fell as a result of the sharp contraction in domestic demand and thus made a positive contribution to GDP growth (see figure I.25).

Figure I.25
Latin America: year-on-year GDP growth rates and contribution of aggregate demand components to growth, first quarter of 2014–first quarter of 2020
(Percentages)
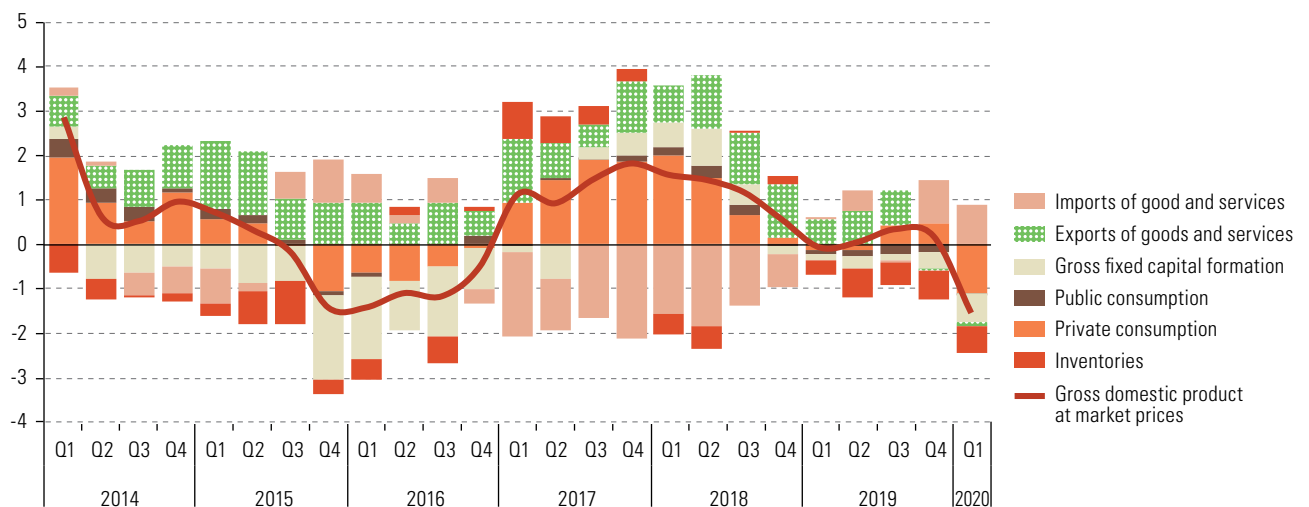
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

4.   Certain sectors of economic activity are more intensely affected by the current conditions: manufacturing, construction and commerce

Since mid-March 2020, many of the region's governments have adopted drastic health measures to contain the COVID-19 pandemic, involving the cessation of multiple economic activities and restrictions on people's movements. These measures, together with the downturn in external demand in the first quarter, badly hurt the value added of activities such as manufacturing, construction and commerce, while the economy's loss of momentum weakened sectors such as agriculture and transport and communications (see figure I.26).

Figure I.26
Latin America: year-on-year growth in value added and contribution by sector of economic activity to value added, first quarter of 2015–first quarter of 2020
(Percentages)
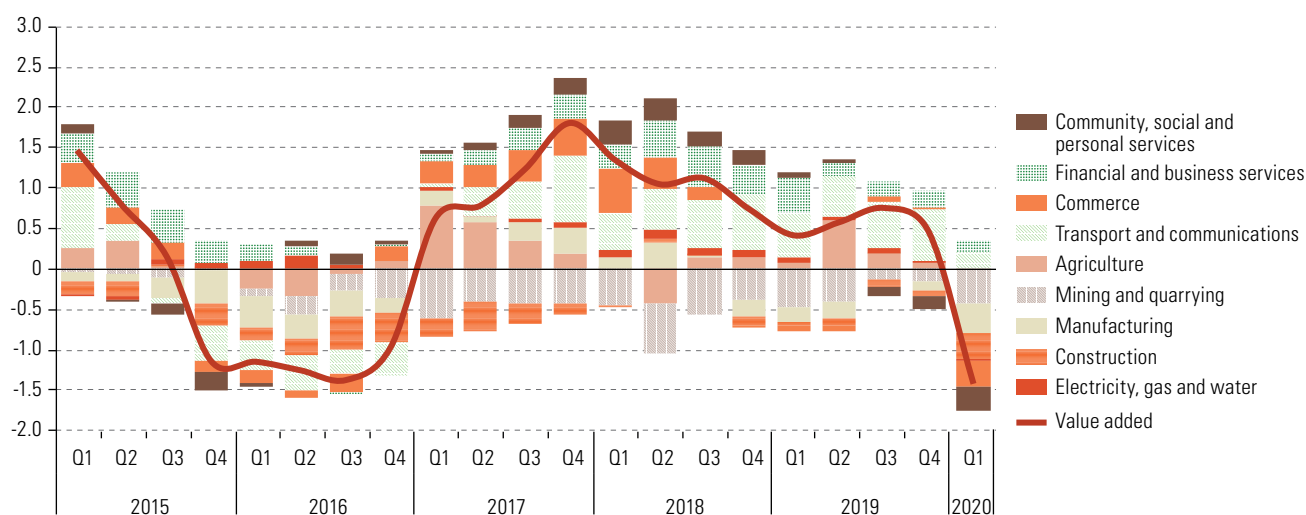
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Value added=GDP-valuation adjustment.

5.   In 2019, inflation continued the downward trend begun in 2015. Since March 2020, the decline has been more pronounced

Average annual inflation in Latin America and the Caribbean fell by 0.1 percentage points in 2019, compared to the rate in 2018 (3.2%), continuing the downward trend that began in 2015.[23] The regional average reflected the overall 1.1 percentage point drop in inflation in Central America and Mexico, which offset higher inflation in the South American countries (0.4 percentage points) and the Caribbean countries (1.4 percentage points) (see table I.6).

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[23]   The regional and subregional averages do not include the data of economies with chronic inflation (Argentina, Haiti and the Bolivarian Republic of Venezuela) (Pazos, 1979). Including their data would affect the representativeness of the overall regional inflation trend.

Table I.6
Latin America and the Caribbean: 12-month variation in the consumer price index (CPI), December 2018–June 2020[a] [b]
(*Percentages*)

	December 2018	December 2019	June 2019	June 2020
Latin America and the Caribbean (excluding countries with chronic inflation)	**3.2**	**3.1**	**3.0**	**2.1**
South America (excluding countries with chronic inflation)	**2.9**	**3.3**	**2.7**	**1.8**
Bolivia (Plurinational State of)	1.5	1.5	1.7	1.4
Brazil	3.7	4.3	3.4	2.1
Chile	2.6	3.0	2.7	2.6
Colombia	3.1	3.8	3.4	2.2
Ecuador	0.3	-0.1	0.6	0.2
Paraguay	3.2	2.8	2.8	0.5
Peru	2.2	1.9	2.3	1.6
Uruguay	8.0	8.8	7.4	10.4
Central America and Mexico (excluding countries with chronic inflation)	**3.8**	**2.7**	**3.5**	**2.7**
Costa Rica	2.0	1.5	2.4	0.3
Cuba	2.4	-1.3	4.7	-0.3[c]
Dominican Republic	1.2	3.7	0.9	2.9
El Salvador	0.4	0.0	0.5	-0.9[c]
Guatemala	2.3	3.4	4.8	2.4
Honduras	4.2	4.1	4.8	2.7
Mexico	4.8	2.8	3.9	3.3
Nicaragua	3.3	6.5	5.5	3.8
Panama	0.2	-0.1	-0.5	-0.8[d]
The Caribbean	**2.0**	**3.4**	**2.8**	**4.2**
Antigua and Barbuda	1.7	1.5	1.8	1.2[d]
Bahamas	2.0	1.3	2.9	1.3[e]
Barbados	0.6	7.2	3.2	7.7[f]
Belize	-0.1	0.2	0.1	0.0[c]
Dominica	4.0	0.1	2.1	-1.0[d]
Grenada	1.4	0.1	0.3	-0.2[d]
Guyana	1.6	2.1	2.3	0.5
Jamaica	2.4	6.2	4.2	4.0[c]
Saint Kitts and Nevis	-0.8	-0.8	-0.4	-1.1[d]
Saint Lucia	1.6	-0.7	0.6	-2.57[d]
Saint Vincent and the Grenadines	1.4	0.5	0.9	-0.5[c]
Suriname	5.4	4.2	4.3	26.2[g]
Trinidad and Tobago	1.0	0.4	1.1	0.5[h]
Argentina	47.1	52.9	54.8	41.3
Haiti	16.5	20.8	19.3	23.4[c]
Venezuela (Bolivarian Republic of)	130 060.2	9 585.5	116 436.3	2 296.6[c]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Regional and subregional averages are population-weighted.
[b] The regional and subregional averages do not include the data of economies with chronic inflation (Argentina, the Bolivarian Republic of Venezuela and Haiti).
[c] Data as of May 2020.
[d] Data as of March 2020.
[e] Data as of October 2019.
[f] Data as of January 2020.
[g] Data as of April 2020.
[h] Data as of February 2020.

This table also shows inflation declining in 18 economies in the region in 2019: on average, by 0.5 percentage points. In Dominica, Grenada, Mexico, Saint Lucia and Suriname, the rate fell by more than 1 percentage point. The average rise in the inflation rate for 12 of the economies was 1.9 percentage points. The increases exceeded 1 percentage point in Barbados, the Dominican Republic, Guatemala and Nicaragua.

The pace of the decline in inflation has accelerated in the first six months of 2020, especially since March, when the COVID-19 pandemic hit the region. Between December 2019 and June 2020, average inflation for the region dropped 1.0 percentage point; falling by 1.2 percentage points on average across 22 countries (excluding the Bolivarian Republic of Venezuela). Prices increased in nine countries by an average of 2.6 percentage points. The more than 20 percentage-point climb in inflation in Suriname in the first six months of 2020 pushed up the average considerably.

With regard to the countries excluded from the regional and subregional averages —Argentina, the Bolivarian Republic of Venezuela and Haiti — there was a sharp increase in inflation in 2019 in both Argentina and Haiti. Inflation in Argentina climbed from 47.1% in 2018 to 52.9% in 2019, while in Haiti it went from 16.5% to 20.8% over the same period. In the Bolivarian Republic of Venezuela, year-on-year inflation fell from 130,060% in 2018 to 9,585% in 2019. In the first half of 2020, compared to figures at the end of 2019, the pace of price increases slowed in both Argentina and the Bolivarian Republic of Venezuela. A major determinant of inflation in all three countries is the extensive use of monetary financing for fiscal deficits.

Figure I.27 shows the monthly variation in average year-on-year inflation in the economies of Latin America and the Caribbean. One feature worth highlighting is that while inflation trended down in 2019, that tendency was not even over the course of the year. Between January and May 2019, average inflation for the region climbed by 0.5 percentage points and reached 3.6% by the end of May. From May onwards, the increase in prices slowed through October, when inflation was 2.4%. Lastly, between October and December, inflation rose 0.7 percentage points. Although inflation trended down in the first half of 2020, in some countries it rose in the last few months of that period, which led to an increase in regional averages for the economies of the Caribbean and Central America and Mexico as a whole.

Figure I.27
Latin America and the Caribbean: weighted average 12-month variation in consumer price index (CPI), January 2016 to June 2020[a]
(*Percentages*)
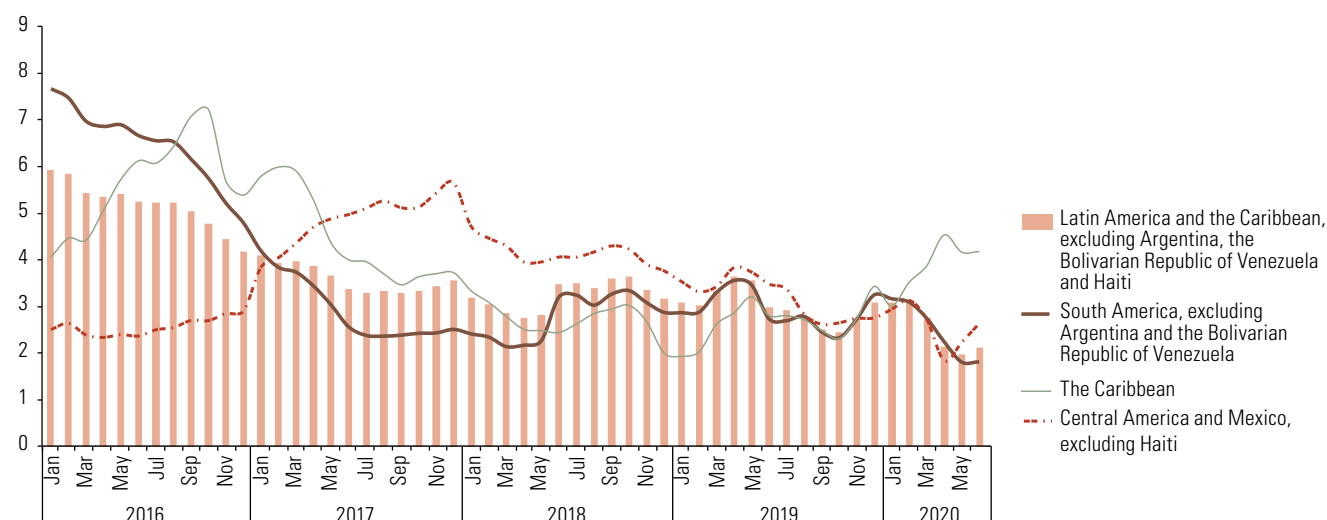
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Data for economies with chronic inflation (Argentina, the Bolivarian Republic of Venezuela and Haiti) are not included in the regional and subregional averages.

6. Inflation is at historically low levels, with 23 countries of the region posting inflation rates below 3% in 2020

At the end of June 2020, 23 countries of the region posted year-on-year inflation below 3%, which is 4 more countries than in June 2019. That is the largest number of countries with inflation of less than 3% in June since 2006 (see figure I.28). Most of the region's economies are therefore experiencing historically low rates of inflation.
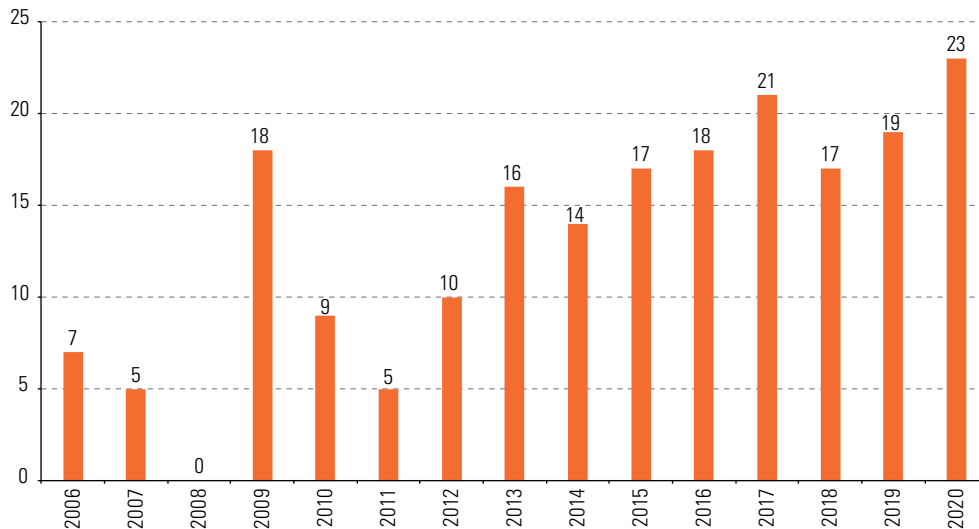
Figure I.28
Latin America and the Caribbean: countries with 12-month variation rates in the consumer price index (CPI) below 3%, 2006–2020[a]
(*Number of countries*)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Data are for June of each year.

7. The patterns of regional inflation in 2019 and in the first six months of 2020 were driven by very different trends in core inflation (downward) and food price inflation (upward)

In 2019, the largest year-on-year increase was in regional average food price inflation, which climbed from 3.2% in 2018 to 4.1% in 2019. That component of the CPI basket rose again in the first half of 2020, taking regional average inflation to 4.4% (see figure I.29). The upward trend in food inflation dates back to April 2018, when the rate was 0.9%, the lowest registered since 2005. Climatic conditions, higher fertilizer prices, problems with supply chains for certain inputs and increasing exchange rate volatility are some of the factors that explain the rise in food prices. More recently, disruptions caused by the lockdown measures adopted to tackle the COVID-19 pandemic have also stoked food price inflation in the region.

Meanwhile, core inflation fell 0.5 percentage points between 2018 and 2019, from 3.0% to 2.5%. Up until June 2020, core inflation was 0.7%: a 1.8-percentage-point decline compared to end-2019. The downward trend in core inflation began in May 2016, when the year-on-year rate was 4.8%. When the direct impact of the CPI components with the most volatile prices (food and energy) is separated off, the downward trend in this indicator reflects increasingly weak domestic aggregate demand and, since March 2020, a slump in economic activity.
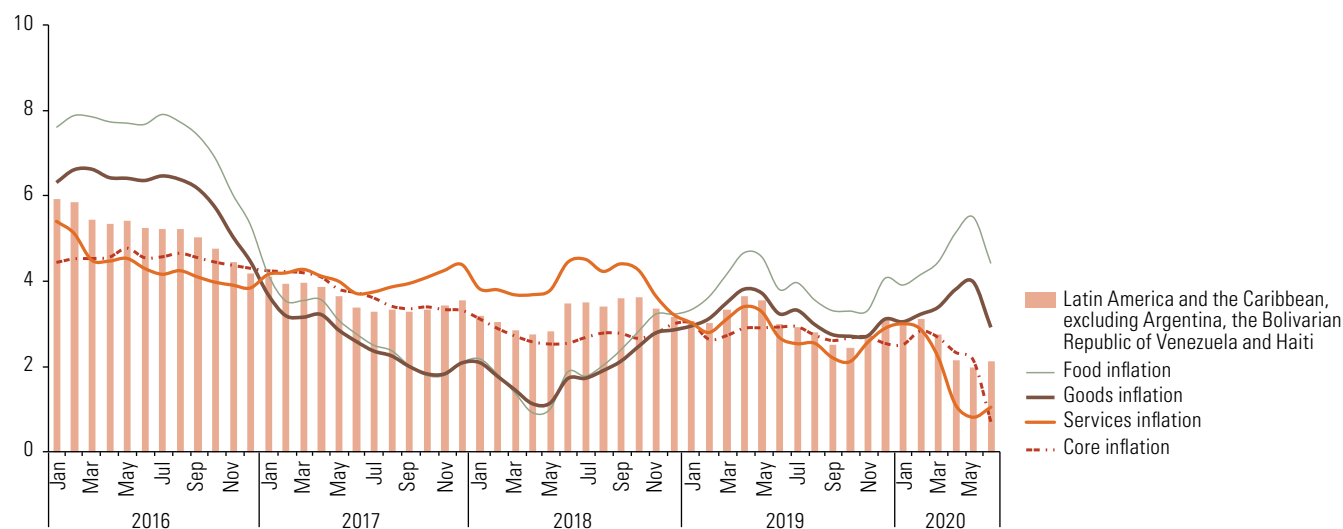
A breakdown of the changes in prices in the CPI basket for tradable and non-tradable goods reveals that, although tradable inflation in 2019 (3.2%) was higher than non-tradable (2.9%), the gap between them has widened significantly since March 2020: at end-June 2020, the year-on year inflation rate for tradables was 2.9%, whereas for non-tradables it was 1.1%. The greater fluctuations in the exchange rate in the first half of 2020 drove up the prices of tradable goods, while lockdown measures and the sharp contraction in demand were the main reasons for the marked downturn in inflation in the case of non-tradables.

8. The crisis caused by the pandemic impacted labour markets that already generated little decent employment

The region's economic and employment performance was already stagnant in 2019, before the pandemic broke out. During that year, Latin America recorded sluggish economic growth (0.2%), which translated into limited quality job creation and an unemployment rate that averaged 8.0% (ECLAC/ILO, 2020).

During the first quarter of 2020, which includes only the early days of the pandemic, employment was down in the weighted average for the countries with available data, as was labour market participation. As a result, the unemployment rate held relatively steady compared to the first quarter of 2019 and even dropped slightly (see figure I.30). Withdrawal from the labour market, whether voluntarily to avoid contagion or involuntarily, as a result of restrictions on mobility, cushioned the effect of the fall in employment.[24]

The evolution of these indicators by sex also shows a significant fall in both employment and participation in the weighted average, although with a steeper fall in the case of men (see figure I.31). As a result, the unemployment rate remained relatively stable for both sexes in the weighted average.[25] The simple average, however, shows rises in the unemployment rate explained, in the case of men, by falls in employment greater than the decline in the labour supply and, in the case of women, by falls in employment along with higher rates of participation.

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[24] Due to the cessation of activities and restrictions on mobility from mid-March onward, most countries had difficulty in completing the collection of employment data for the first quarter of 2020, which were published late. At July, first quarter-data were available for 13 countries, but this information reflected only partially the impacts of the early days of the pandemic.

[25] The small contraction observed reflects the situation in Brazil, where the unemployment rate fell for both sexes in the first quarter of the year.

Figure I.30
Latin America and the Caribbean (14 countries): year-on-year variation in the employment, participation and unemployment rates, first quarter of 2017–first quarter of 2020
(Percentage points)
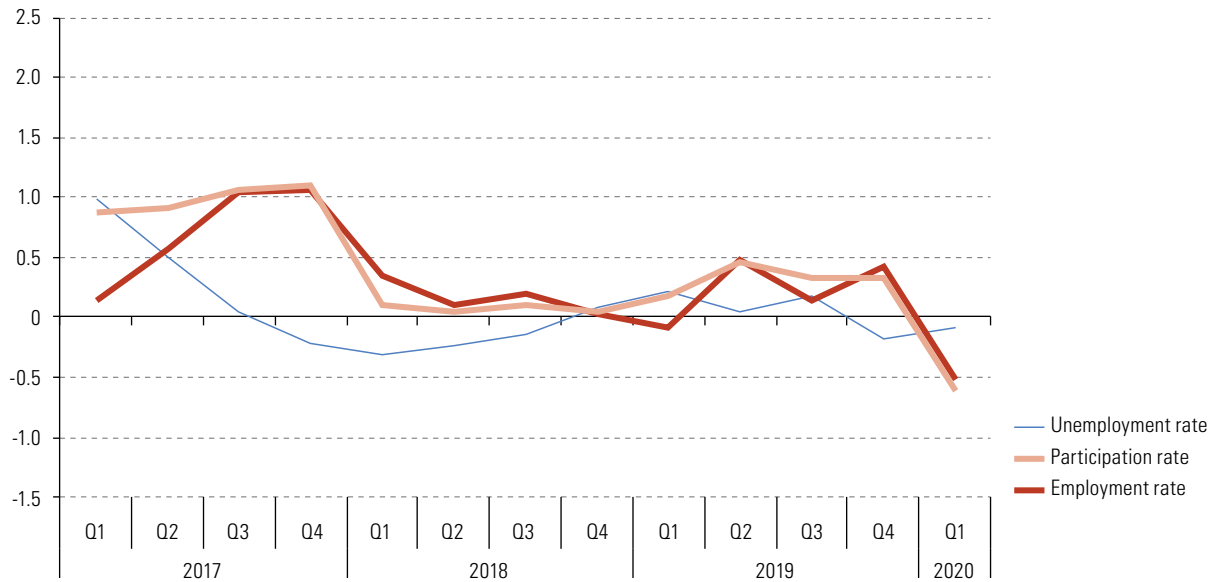
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Nicaragua, Jamaica, Paraguay, Peru, Plurinational State of Bolivia and Uruguay, except for the first-quarter 2020 figure, which does not include Ecuador.

Figure I.31
Latin America and the Caribbean (13 countries): year-on-year variation in national participation, employment and unemployment rates by sex, first quarter of 2020
(Percentage points)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Nicaragua, Jamaica, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

9.   As of May 2020, there were significant drops in employment accompanied by a contraction in the labour supply

In Brazil, 7.7 million jobs were lost in the March–May rolling quarter of 2020 compared to data for the December 2019–February 2020 rolling quarter. However, because significant numbers withdrew from the labour market, the participation rate dropped significantly. As a result, the number of open unemployed increased by only about 367,000, reflected in only a moderate increase of 1.2 percentage points in the unemployment rate (see figure I.32). Similar patterns were seen in Chile and Colombia, but with a larger contraction in employment and increase in unemployment in both cases.

Figure I.32
Brazil, Chile and Colombia: variation in employment, participation and unemployment rates in the March–May quarter of 2020 compared to the same quarter in 2019 and to the December 2019–February 2020 quarter
(Percentage points)

Legend:
- Variation in employment with respect to the quarter March–May 2019
- Variation in employment with respect to the quarter December 2019–February 2020
- Variation in participation with respect to the quarter March–May 2019
- Variation in participation with respect to the quarter December 2019–February 2020
- Variation in unemployment with respect to the quarter March–May 2019
- Variation in unemployment with respect to the quarter December 2019–February 2020

Brazil: -5.0 -5.0 -5.3 -4.8 0.6 1.2
Chile: -10.7 -10.3 -9.2 -9.4 4.0 3.0
Colombia: -10.6 -10.7 -7.4 -7.6 7.3 7.2

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

In Chile, between the same quarters the number of unemployed increased by 1.5 million and the unemployment rate rose by 3.0 percentage points, from 8% to 11%. In Colombia the impact was greater in relative terms, with an increase of 4.2 million in the number of unemployed (seasonally adjusted) and a 7.2 percentage-point rise in the unemployment rate (from 10.6% to 17.9%).

In Costa Rica, preliminary figures for the quarter March–May 2020 indicate a sharp year-on-year contraction, of 14.6%, in the number of employed (see table I.7). The proportion of persons inactive rose at the same time, but to a lesser extent than in the countries mentioned previously, so Costa Rica did see a significant increase in the number of unemployed: from 11.3% to 20.1% in the aforementioned period.

Table I.7
Costa Rica: main labour indicators, March–May quarter of 2019 and 2020
(Number of persons and percentages)

| | March–May 2019 | March–May 2020 | Variation | |
			Absolute	Percentages
Employed	2 179 447	1 860 633	-318 814	-14.6
Unemployed	277 946	468 000	190 054	68.4
Inactive	1 475 445	1 657 580	182 135	12.3

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

In Mexico, as in the previous cases, the data show a fall of around 22% in the employed population between March and May 2020, equivalent to 12.1 million people. A further 11.7 million withdrew from the labour market in that period. As a result, the population in open unemployment increased somewhat, by approximately 246,000, which represented an unemployment rate of 4.2% as of May 2020. In Uruguay too, between March and May 2020 there was a fall in the number of employed combined with a withdrawal from the labour market, which resulted in the unemployment coming down from 10.1% in March to 9.7% in May.

Some of the region's countries have densely population conurbations, whose workers have been badly affected by the standstill of economic activities imposed to avoid contagion. In Lima, for example, employment rates have fallen particularly sharply (see box I.2).

Box I.2
Impact on major cities: the case of Metropolitan Lima

Workers in large cities have been strongly affected by the cessation of activities, since the probability of contagion rises with population density, in addition to restrictions on public transport systems and the possibility of working in public spaces.

The situation in Metropolitan Lima can be evaluated using data from Peru's Permanent Employment Survey (EPE) until June 2020, i.e, for 3.5 months after the health crisis began. This area has almost 11 million inhabitants and accounts for 32% of the country's population. In effect, the labour indicators for Lima reflect a greater impact than do the national results. In the April–June quarter of 2020, the number of employed was down by 55% —equivalent to 2.7 million people— on the year-earlier quarter (see figure 1). Workers also withdrew from the labour market in significant numbers, increasing the total number of inactive persons by 105%. As a result, the number of unemployed rose by only 97,000. In terms of rates, however, this represented an increase in unemployment from 6.3% in the April–June 2019 quarter to 16.3% in the same quarter a year later.

Figure 1
Metropolitan Lima: 12-month variation in number of employed, unemployed and inactive persons in the April–June quarter 2020
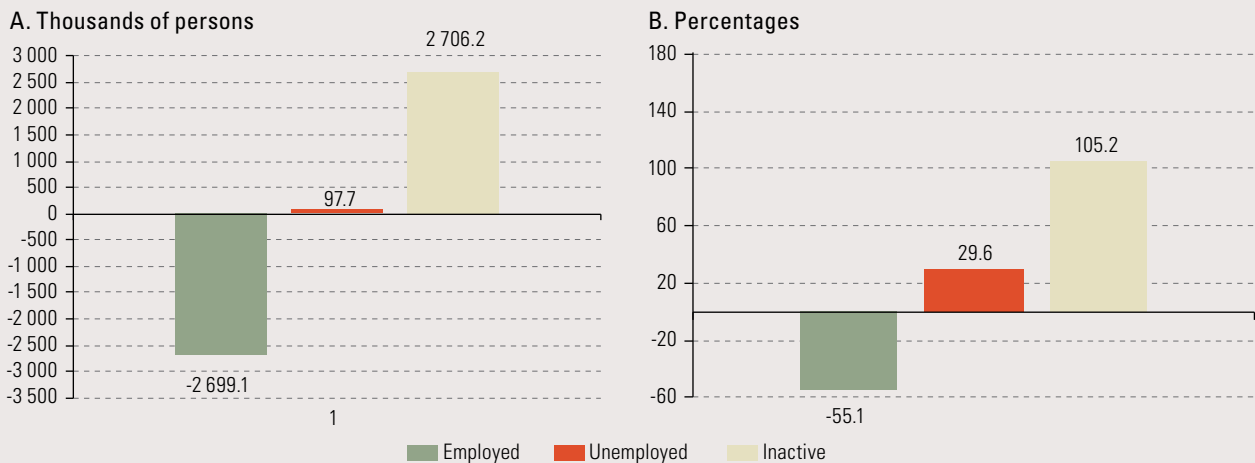
A. Thousands of persons

B. Percentages

Employed   Unemployed   Inactive

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Institute of Statistics and Informatics (INEI) of Peru, Permanent Employment Survey (EPE).

The trends observed for Brazil, Chile and Colombia in terms of occupational categories are also seen in Lima, but with steeper drops. The fall in employment occurred among both wage employees and independent workers. The percentage of the population employed fell in all activities, with construction, manufacturing, services and commerce being the most affected.

There was also a drop in both formal and informal employment from March 2020 onward (see figure 2). In absolute terms, even more jobs were lost by workers with health insurance (1,884 million) than without (890,000) between the December 2019–February 2020 rolling quarter and the April–June 2020 rolling quarter. In 12 months, the relative loss was greater in informal employment (-66.3%) than in formal employment (-49.7%).

Box I.2 (concluded)

Figure 2
Metropolitan Lima: number of formal and informal employed, January–March quarter 2019
to April–June quarter 2020[a]
(Thousands of persons)
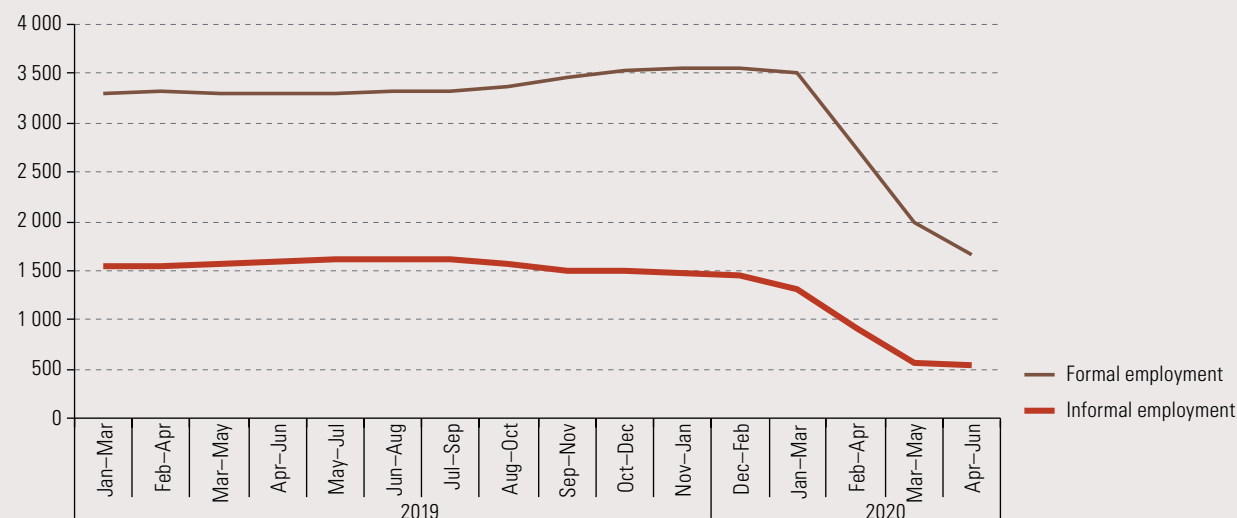
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Institute of Statistics and Informatics (INEI) of Peru, Permanent Employment Survey (EPE).
[a] Employed population with and without health insurance.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Institute of Statistics and Informatics (INEI) of Peru, Permanent Employment Survey (EPE) and "Situación del mercado laboral en Lima Metropolitana: trimestre móvil abril-mayo-junio 2020", *Informe Técnico*, Nº 07, July 2020.

In many cases, the fall in labour market employment levels would have been steeper had priority had not been afforded to preserving employment ties and avoiding dismissals. For example, many companies have allowed employees to take advance leave, have reduced wages or benefits, or used government financial support mechanisms to keep their employees on despite temporary closure or reduction of business activities (INEGI, 2020). In these cases, employees are identified as absent workers, similarly to paid workers who are on vacation, medical leave, in training or temporarily suspended and therefore appear as employed in the employment survey.

In Chile, the proportion of the employed absent from work but receiving pay represented 15.4% of all those employed in the quarter March–May 2020. This represents an increase of 149.8% (equivalent to 689,278 people) compared to the same quarter in 2019 (INE, 2020). In Mexico, in May 2020, temporary absentees represented 14.7% of the employed with contractual relationships, compared to 1.5% in May 2019 (INEGI, 2020). The number of absent employed also rose substantially in Uruguay: from around 5% of those employed in March 2020 to 23.5% in April and 16% in May, with the main reasons cited being suspension or lockdown due to COVID-19 and unemployment insurance status (INE, 2020).

Finally, even among those who have been able to continue working, many have seen their daily lives altered by the closure of educational institutions and the lack of care services and have had to change their routines to reconcile work with these responsibilities.

10. Job losses have occurred across the range of categories

Among occupational groups, the three countries with available data, Brazil, Chile and Colombia, show proportionally the largest falls in employment among unpaid family workers and domestic workers (see figure I.33). In absolute terms, the largest job losses were among private sector employees and the self-employed.

In Brazil, for example, wage employees account for 58% of total job losses and self-employed workers for 25%. There is also a higher incidence of job losses among informal workers: 63% of losses were among informal wage workers, informal domestic workers and informal own account workers. The only sector to show an increase in employment in Brazil is the public sector.

Figure I.33

Brazil, Chile and Colombia: variation in the total number of employed in the March–May 2020 rolling quarter compared with the December 2019–February 2020 quarter, by category, and share of each occupational category in job losses
(Percentages)

A. Brazil: variation in total employed
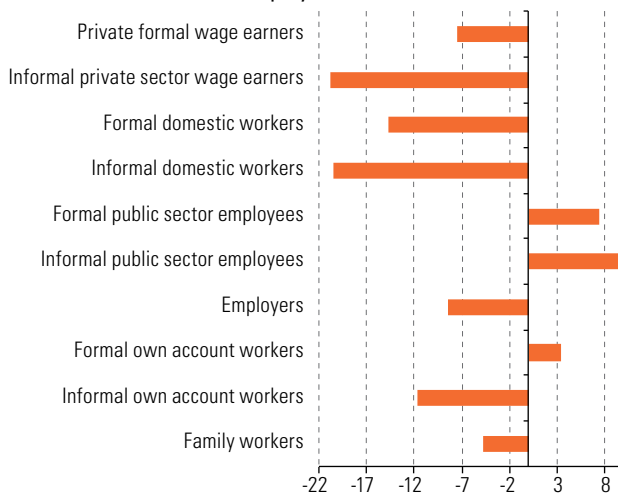
B. Brazil: share of each occupational category in job losses
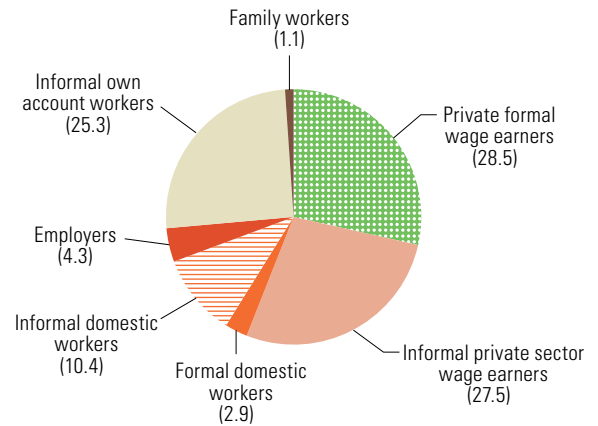
C. Chile: variation in total employed
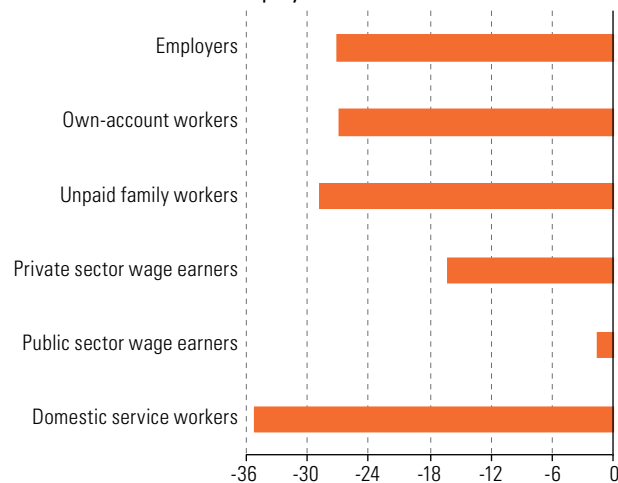
D. Chile: share of each occupational category in job losses
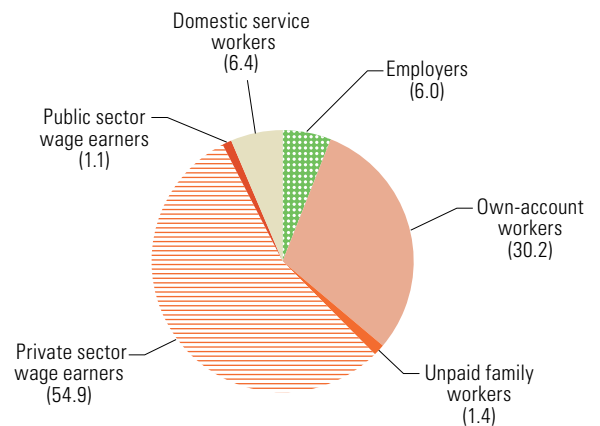
Figure I.33 (concluded)
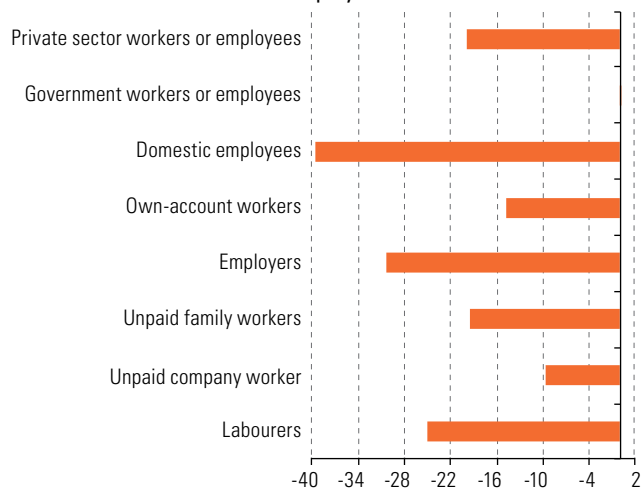
Private sector workers or employees (43.6)

Domestic employees (6.9)
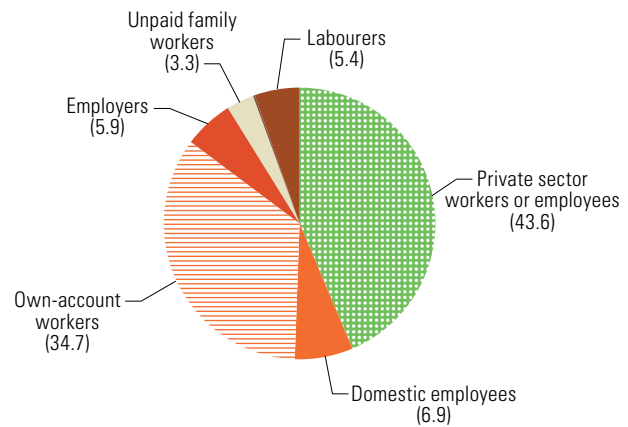
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In Chile, almost half the jobs lost were among private sector wage earners and 30% among the self-employed. In Colombia, workers or private employees accounted for 44% of the jobs lost and self-employed workers for 36%. Public employment remained relatively stable in both countries.

Similarly, data from the Telephone Survey of Occupation and Employment (ETOE) of Mexico also show that among the employed who lost jobs between March and May 2020, 60% were paid employees and 31% were self-employed.

11. The greatest impact has been in commerce, accommodation, catering and construction

By sector of activity, the information for the three countries with data (Brazil, Chile and Colombia) shows drastic falls in employment in sectors such as domestic service, accommodation and catering activities, commerce, construction and manufacturing. There have also been falls in artistic and entertainment activities (see figure I.34). The sectors with employment gains are related to public administration or the provision of basic services such as water and electricity, all activities that are essential in view of the health crisis. In Colombia, employment in mining and quarrying also showed a positive variation.

In absolute terms, the greatest job losses in Brazil were in commerce, vehicle and motorcycle repair (23%), followed by manufacturing, construction, accommodation and catering, and domestic services. In both Chile and Colombia, the largest job losses in absolute terms were in commerce, followed by manufacturing, construction, accommodation and catering, and agriculture.

A. Brazil

Agriculture, hunting, forestry, fishing and aquiculture

General industry

Construction

Commerce, vehicle and motorcycle repair

Transport, storage and communications

Accommodation and catering

Information, communication and financial, real estate, professional and administrative activities

Public administration, defence, social security, education, human health and social services

Other services

Domestic services

-24 -19 -14 -9 -4 1 6

B. Chile

Agriculture, hunting, forestry and fishing
Mining and quarrying
Manufacturing industries
Supply of electricity, gas, steam and air conditioning
Water supply
Construction
Wholesale and retail commerce
Transport and storage
Accommodation and catering
Information and communications
Financial and insurance activities
Real estate activities
Professional, scientific and technical activities
Administrative activities and support services
Public administration and defence
Teaching
Human health and social assistance
Artistic, entertainment and recreational activities
Other services activities
Activities of households as employers

-52 -42 -32 -22 -12 -2 8

C. Colombia

Agriculture, hunting, forestry and fishing
Mining and quarrying
Manufacturing industries
Supply of electricity, gas and water, and waste management
Construction
Vehicle sales and repairs
Accommodation and catering
Transport and storage
Information and communications
Financial and insurance activities
Real estate activities
Professional, scientific and technical activities and administrative services
Public administration and defence, education and human health
Artistic, entertainment and recreational activities and other services activities

-34 -29 -24 -19 -14 -9 -4 1 6

Figure I.34
Brazil, Chile and Colombia: change in the number of total employed in the March–May 2020 rolling quarter with respect to the December 2019–February 2020 quarter, by industry and country
(Percentages)

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

12. Labour informality came down, but not because of improvements in the quality of employment

The paralysis of activities resulting from the pandemic has turned a spotlight on a key characteristic of the regional labour markets: the existence of a large group of workers in informal conditions with no social protection. Before the pandemic, 158 million people were estimated to be working in informal conditions in Latin America and the Caribbean, equivalent to approximately 54% of the total employed (ILO, 2020). Informal workers include own-account workers and unpaid family workers, as well as employees who do not have an employment contract and whose employers do not make social security contributions. These workers have no protection against layoff, with no severance payment or unemployment insurance. Many domestic workers are in this situation. Many of these workers have been unable to work in conditions of restricted mobility, and have simply withdrawn from the market in the absence of mechanisms that would enable them to retain their employment link, such as unemployment insurance. This is why employment quality indicators such as the informality rate are likely to have fallen over this period.

Indeed, the rate of informality fell sharply in countries with available data (see figure I.35). Between the December 2019–February 2020 rolling quarter and the March–May 2020 rolling quarter, the informality rate fell by 2.6 percentage points in Brazil, 5.3 points in Chile and 3.8 points in Mexico and 7.23 points in the Lima metropolitan region.[26] However, this change likely does not reflect improvements in formalization processes, but rather the fact that informal activities were worse affected by containment measures. In addition, as noted earlier, public employment, which represents a significant proportion of formal employment, has been relative stable.

Figure I.35
Latin America (selected countries and cities): variation in the labour informality rate, March–May 2020 quarter in relation to December 2019–February 2020 quarter
(Percentage points)
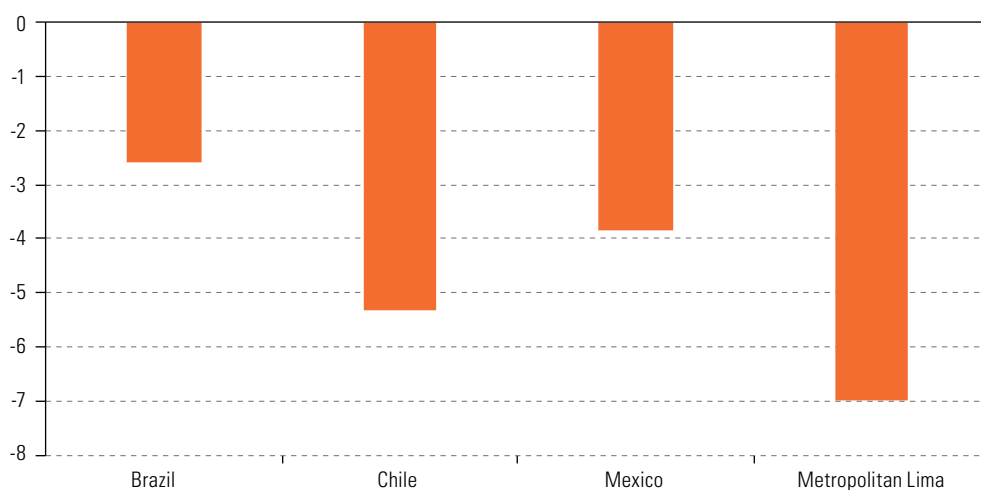
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

13. Some of those employed have seen falls in hours worked and wages

In order to retain their employees amid the pandemic and the resulting reduction in activity, many companies reduced the number of hours worked or wages.

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[26] For more detail, see Weller and others (2020).

In this context, underemployment may be expected to show rises. For example, in Mexico, the hourly underemployment rate jumped from 7.8% in May 2019 to 29.9% in May 2020 (INEGI, 2020). In Costa Rica, hourly underemployment rose from 9.5% in the quarter March–May 2019 to 17.5% in same quarter in 2020 (INEC, 2020). In Metropolitan Lima, the hourly underemployment rate rose to 14.8% in the March–May 2020 rolling quarter, from 12.1% in the prior-year period (INEI, 2020). In Chile, however, the proportion of people working part-time involuntarily decreased by 34.7% in 12 months (INE, 2020).

In the case of wages, the trend is partially reflected in the evolution of average wages in registered employment. In March and April 2020, average wages fell in the year-on-year comparison in Chile, Colombia, Costa Rica and Uruguay. However, these four countries all recorded slightly higher levels of inflation early in the year than in the prior-year period. By contrast, Argentina, Brazil and Mexico show a positive trend in average real wages, thanks chiefly to lower inflation rates.

14. Outlook

In the second half of 2020, the region's labour markets will continue to be affected by the pandemic and their evolution will depend on developments in the health situation, the duration of restrictive measures, and the rate of GDP growth. The longer the situation lasts, the greater the impact on people's material and mental well-being and on the purchasing power of households, acting as a drag on recovery.

As the (gradual) opening phase begins and productive activities resume, people may be expected to return to the labour market. The gradual reactivation of the productive apparatus could push up the number of open unemployed unless it is accompanied by an increase in labour demand. Some employer surveys already point to weak employment generation in the second half of the year.[27] The economic contraction of 9.1% of GDP projected for Latin America and the Caribbean could push the unemployment rate up by at least 5.5 percentage points to 13.5% on average in 2020 (ECLAC, 2020b). Informality may also be expected to increase, as many people are forced to return to the labour market amid still-gradual formal job creation. The crisis caused by the pandemic has highlighted the need to expedite progress on innovative mechanisms for social security and the promotion of decent work in the region.

Major changes are also to be expected in the manner of working, with a larger percentage of distance working and strict health and safety measures at work. However, only a fraction of workers in the region have access to remote working. This, in addition to the fact that the health crisis has affected informal and less educated workers to a greater extent, indicates the need for efforts to prevent these trends from deepening existing labour gaps (Weller, 2020). It will therefore be necessary to improve access to digital technologies and training for the workforce, especially at lower skill levels, to enable workers to adapt to the new labour and social reality.

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[27] Results of a business survey on hiring expectations at September 2020 carried out by Manpower Group (2020) in Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, Panama and Peru.

D. Macroeconomic policies

1. The coronavirus disease (COVID-19) pandemic has refocused fiscal policy objectives in the region

In recent years, the region's fiscal policy was oriented towards implementing consolidation measures to keep the public debt sustainable. The measures adopted resulted in a reduction of the primary deficit in Latin America from 1.1% of GDP in 2016 to 0.6% in 2019 (see figure I.36). The budgets approved in late 2019 envisaged this trend continuing in 2020, with primary deficits averaging around 0.3% of GDP. No improvement was expected in the global balance, which has remained around 3.0% of GDP since 2014, reflecting a continued increase in interest payments. Despite this consolidation process, the gross public debt has trended steadily up, from 29.8% of GDP in 2011 to 46.0% in 2019.

Figure I.36
Latin America (16 countries):[a] main central government fiscal indicators, 2010-2020[b][c]
(Percentages of GDP)
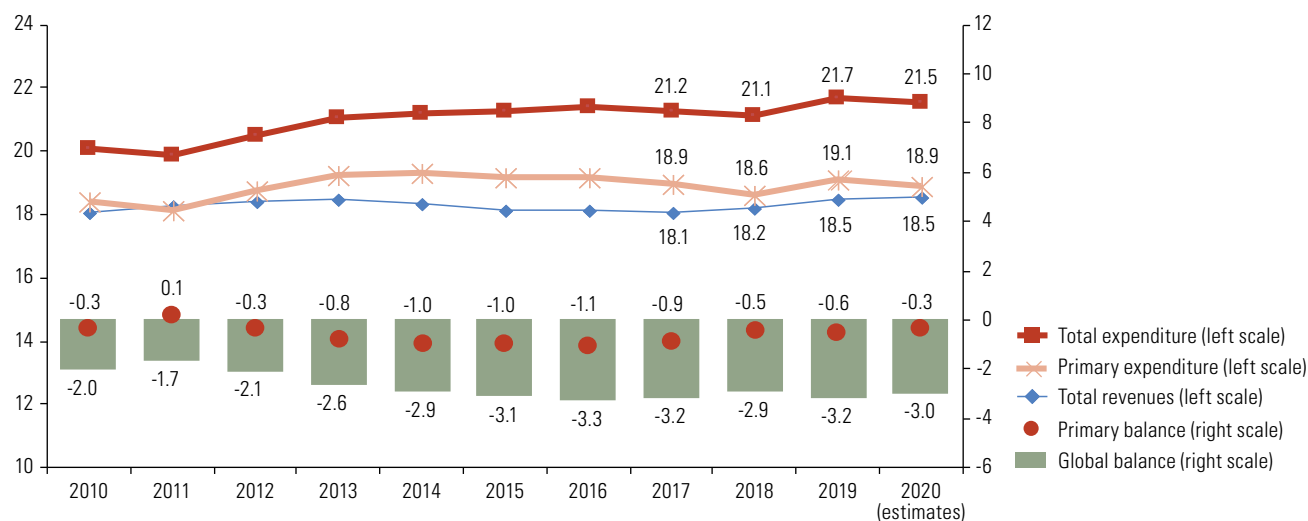
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: In May 2020, Ecuador announced a series of corrections to its fiscal statistics. These included a change in the central government consolidation to encompass a number of additional entities, such as the Deficit Derivatives Financing Account (CFDD). This meant that central government revenues and expenditure increased substantially. The resulting adjustment in the series affects the average of all fiscal indicators in Latin America from 2019 onwards.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[b] Simple averages. In the cases of Argentina, Mexico and Peru, the figures refer to the national public administration, the federal public sector and general government, respectively.
[c] The figures for 2010 to 2019 are the observed values, whereas those for 2020 reflect the projections included in the budgets approved in late 2019.

These budgets had signalled a slight reduction in total expenditure, which was set to represent 21.5% of GDP in 2020, compared to the previous year's 21.7% (see figure I.36). In recent years, expenditure policy has focused on containing expenditure growth; and this has meant paring back primary spending to accommodate the increasing weight of interest payments. In keeping with this, the 2020 budget had envisaged primary expenditure dropping to 18.9% of GDP from 19.1% in 2019. Projections also confirmed the continued stagnation of public revenues, maintaining their 2019 level of 18.5% of GDP.

The coronavirus disease (COVID-19) pandemic and the human and economic crisis that it has generated have led to the reformulation of fiscal policy objectives in the region, and concerns about fiscal consolidation have been pushed into the background. The fiscal measures that the region's countries have adopted to cope with the COVID-19 crisis

in the short term have included spending (reallocations and exceptional expenditures), tax relief and liquidity. At the same time, deteriorating macroeconomic conditions and falling international prices for raw materials —particularly crude oil— compounded by an uncertain international context, have rendered obsolete the macroeconomic assumptions embodied in the budgets approved in late 2019.

In this highly uncertain environment, to make official projections of the fiscal position of the region's countries means constantly updating the fiscal indicators in respect of revenue, expenditure, the global and primary balance and public debt. The evolution of the pandemic contains many unknowns; and, if it continues, additional fiscal measures will be needed in the short term. Despite the need to continuously monitor fiscal projections for the current year, as of June few countries had published this information.

2. The slump in economic activity and the fall in the international price of crude oil is having a major impact on public revenues

Since April 2020, tax revenues in Latin America have declined sharply, because of two key interacting factors: the impact of the economic downturn and the fiscal cost of tax-relief measures. At the same time, the trend of international commodity prices is eroding fiscal revenues obtained from commodities, thereby accentuating the fall in tax revenues in countries where income tax is the main fiscal instrument used to capture economic rent from the exploitation of non-renewable natural resources —for example, in mining countries, or certain oil-exporters such as Colombia and Trinidad and Tobago (OECD and others, 2020).

The latest fiscal figures reveal the sharp decline in the region's tax take. As shown in table I.8, although revenue from value-added tax (VAT) —which closely tracks private consumption— grew in the first quarter of the year in some countries, but in April contracted sharply in several of them. In some cases, VAT revenues in that month shrank by more than 30% year-on-year in real terms; and the situation worsened further in May, with steeper falls in a number of countries. Nonetheless, in June revenue declined by less than in May. Income tax receipts also dropped sharply in April and exhibited significant volatility in May and June in most countries.

Table I.8
Latin America (12 countries): real year-on-year variation in central government tax revenues, 2019-2020
(Percentages)

Country	Value-added tax					Income tax				
	January–March	April	May	June	January to last month available	January–March	April	May	June	January to last month available
Argentina	-8	-25	-27	-21	-16	-11	-30	-23	-22	-19
Brazilª	2	-14	-25	-13	-7	-1	-21	-19	0	-7
Chile	4	-20	-40	-28	-13	10	-52	-24	-54	-28
Colombia	0	-12	-30	-25	-9	10	-28	0	-11	-2
Costa Rica	19	-36	-42	-22	-6	…	…	…	…	…
Dominican Republic	-4	-46	-34	-13	-18	7	-43	-25	-30	-17
Ecuador	-2	-37	-47	-35	-20	4	-33	2	7	-13
El Salvador	9	-18	-32	-19	-7	5	-37	-17	34	-12
Guatemala	-5	8	-24	-13	-8	-10	31	-14	-16	-2
Mexico	18	8	-36	…	4	13	-26	2	…	1
Peru	-4	-35	-39	-36	-20	-7	-34	22	-45	-15
Uruguay	2	-9	-16	0	-3	0	-5	-21	-4	-5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures updated to 18 August 2020.
ª The VAT figures represent revenue from the federal industrialized products tax (IPI) and the state-level goods and services sales tax (ICMS).

This dynamic is also being driven by the tax-relief measures that countries have adopted to support families and businesses (ECLAC, 2020d). In most cases, these involve postponing the payment of tax liabilities, creating an intertemporal effect on revenue collection —in some cases delayed until late 2020 or even 2021—, which could last for the duration of the pandemic. The fiscal cost of these measures is considerable in some countries. In Chile, the tax measures contained in the Emergency Economic Plan are expected to generate a revenue shortfall of around 1.7% of GDP in 2020 (DIPRES, 2020a); and in Peru, the revenue forgone as a result of these measures could amount to 1.5% of GDP in 2020 (IMF, 2020).

Owing to these trends, the projections of total revenues for 2020 have been continuously updated. As shown in table I.9, the latest official updates of the region's fiscal frameworks —for the countries that have published them— see total revenues falling sharply, both relative to their 2019 levels and compared to the estimates projected in the budgets approved for 2020. It should be noted that these projections —with values expressed relative to output— are highly sensitive to economic assumptions, such as the growth of nominal GDP, the year-on-year variation in the exchange rate and projections for commodity prices. In Mexico, total revenues are projected to remain around the level seen in 2019 in nominal terms, but below the level established in the 2020 budget. However, the expected larger contraction in nominal GDP could result in the revenue-to-GDP ratio for 2020 being higher than the level projected in the budget and than that recorded in 2019.

Table I.9
Latin America (8 countries): current official projections for central government revenue, 2020
(Percentages of GDP)

Country	Indicator	2019 (Observed value) A	2020 (Approved budget)[a] B	2020 (Year-end projection) C	Variation in the revenue-to-GDP ratio for 2020 relative to: *(percentage points)*	
					2020 (Approved budget) C-B	2019 (Observed value) C-A
Brazil	Total revenue	22.5	21.3	20.3	-1.0	-2.2
Chile	Total revenue	21.3	22.0	19.1	-2.9	-2.2
	Tax revenues	18.9	19.6	16.8	-2.8	-2.1
Colombia	Total revenue	16.2	17.3	15.6	-1.7	-0.6
	Tax revenues	14.0	14.9	13.3	-1.6	-0.7
Costa Rica	Total revenue	14.8	14.2	13.8	-0.4	-1.0
	Tax revenues	13.7	13.4	12.7	-0.7	-1.0
Dominican Republic	Total revenue	14.4	14.8	14.5	-0.3	0.1
Mexico[b]	Total revenue	22.2	21.8	23.3	1.5	1.1
Peru[c]	Total revenue	19.9	20.6	17.7	-2.9	-2.2
Uruguay	Total revenue	30.0	…	29.3	…	-0.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Treasury, *Relatório de Avaliação de Receitas e Despesas Primárias (RARDP)-3º bimestre de 2020*, Brasilia, 2020; Budget Office of the Ministry of Finance of Chile (DIPRES), *Informe de Finanzas Públicas: Marco de Entendimiento para Plan de Emergencia para la Protección de los Ingresos de las Familias y la Reactivación Económica y del Empleo. Segundo Trimestre 2020*, Santiago, 22 June 2020; Ministry of Finance and Public Credit, Marco Fiscal de Mediano Plazo 2020, Bogotá, June 2020; Ministry of Finance, "Hacienda anuncia proyecciones fiscales para cierre del año y para 2021", *Comunicado de Prensa*, No. 110, San José, July 2020; Ministry of Finance of the Dominican Republic, "Política Presupuestaria para el Ejercicio Fiscal del año 2021", Santo Domingo, June 2020; Ministry of Finance and Public Credit (SHCP), "Paquete Económico para el Ejercicio Fiscal 2021", Mexico City, 8 September 2020; Ministry of Economy and Finance, *Marco Macroeconómico Multianual 2021-2024*, Lima, 26 August 2020; Ministry of Economy and Finance, Exposición de Motivos, Proyecto de Ley de Presupuesto Nacional 2020-2024, Montevideo, 31 August 2020; and International Monetary Fund (IMF), *World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers*, Washington, D.C., 2019.

[a] The figures are the nominal values obtained from the budgets, relative to the nominal GDP projected for 2020 by the International Monetary Fund (IMF) and published in *World Economic Outlook* in 2019.
[b] Federal public sector figures.
[c] General government figures.

3. Budget ceilings have been raised as pressures build on public expenditure to cope with the social and economic fallout from the pandemic

While public expenditure is expected to grow in 2020 relative to the previous year's level, the amount of the variation will be determined by multiple, sometimes conflicting factors. Firstly, forces that are likely to increase public expenditure relative to output include the deterioration in the macroeconomic climate and the adoption of wide-ranging public-policy packages to address the COVID-19 pandemic. Secondly, some countries are considering, or actually implementing, expenditure cuts in some sectors to accommodate emergency spending, while leaving the level of total budgeted expenditure unchanged.

The role of the public-policy packages in mitigating the effects of the pandemic has been stressed as one of the key factors driving the expected increase in public spending in 2020. These packages represent major fiscal efforts, averaging 4.1% of GDP (see box II.1), and they involve a wide range of fiscal, financial and economic policy tools. Nonetheless, the impact of these packages on public spending depends largely on the tool deployed. As discussed in ECLAC (2020d), a large proportion of these packages take the form of tax relief (foregone revenue) and liquidity measures backed by the Government, which are not recorded as public expenditure.

Countries in Latin America have been updating their macrofiscal projections and budget ceilings for end-2020, while the amount of expenditure needed to mitigate the effects of the pandemic remains uncertain. As shown in table I.10, the most recent official projections and budget updates indicate a significant rise in spending relative to the budget ceilings approved for 2020 in late 2019. Although the increase in public expenditure as a percentage of GDP is partly explained by the expected reduction in nominal GDP, account must also be taken of the fiscal packages, which entail substantial additional outlays in some cases. Total public expenditure is expected to rise significantly from the 2019 levels, particularly in Brazil (+9.6 percentage points of GDP) and in Peru (+6.5 points).

The region has significantly enhanced transparency in the context of the present crisis. Several countries have set up fiscal transparency portals to facilitate access to information on amounts budgeted and already accrued, particularly highlighting the fiscal packages introduced to cope with the crisis. These include Brazil, Chile, Colombia, Costa Rica, Guatemala, Honduras, Paraguay and Peru (see table I.11), which have made detailed information available to the public. For example, Brazil's transparency portal *(Monitoramento dos Gastos da União com Combate à COVID-19)* displays budgeted and accrued expenditure for each policy action, along with the ministries responsible for the expenditure, its geographical targeting and the funding sources.

Table I.10
Latin America (11 countries): current official projections for central government expenditure, 2020
(Percentages of GDP)

Country	2019 (Observed value) A	2020 (Approved budget)[a] B	2020 (Official year-end projection or budget as currently amended)[b] C	Variation in the expenditure-to-GDP ratio for 2020 compared to the value observed in 2019 *(percentage points)* (C-A)
Brazil[c]	23.8	22.9	33.4	9.6
Chile	24.1	24.0	28.7	4.6
Colombia	18.6	19.7	23.8	5.2
Costa Rica	21.7	20.7	23.1	1.4
Dominican Republic	16.7	17.2	19.6	2.9
El Salvador	20.6	21.0	25.4	4.8
Guatemala	13.5	13.2	18.0	4.5
Honduras	21.6	21.5	23.4	1.8
Mexico[d]	23.9	24.0	26.2	2.3
Peru[e]	21.4	22.2	27.9	6.5
Uruguay	33.0	…	35.0	2.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Treasury, *Relatório de Avaliação de Receitas e Despesas Primárias (RARDP)-3º bimestre de 2020*, Brasilia, 2020; Budget Office of the Ministry of Finance of Chile (DIPRES), *Informe de Finanzas Públicas: Marco de Entendimiento para Plan de Emergencia para la Protección de los Ingresos de las Familias y la Reactivación Económica y del Empleo. Segundo Trimestre 2020*, Santiago, 22 June 2020; Ministry of Finance and Public Credit, *Marco Fiscal de Mediano Plazo 2020*, Bogotá, June 2020; Ministry of Finance, "Hacienda anuncia proyecciones fiscales para cierre del año y para 2021", *Comunicado de Prensa*, No. 110, San José, July 2020; Ministry of Finance of the Dominican Republic, "Política Presupuestaria para el Ejercicio Fiscal del año 2021", Santo Domingo, June 2020; El Salvador, Ministry of Finance, *Informe de Ejecución Presupuestaria del Estado, Primer Semestre 2020*, San Salvador, 30 July 2020; Guatemala, the budget in force on 30 June 2020; Honduras, budget as amended at 31 July 2020; Ministry of Finance and Public Credit (SHCP), "Paquete Económico para el Ejercicio Fiscal 2021", Mexico City, 8 September 2020; Ministry of Economy and Finance, *Marco Macroeconómico Multianual 2021-2024*, Lima, 26 August 2020; Ministry of Economy and Finance, *Exposición de Motivos, Proyecto de Ley de Presupuesto Nacional 2020-2024*, Montevideo, 31 August 2020; and International Monetary Fund (IMF), *World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers*, Washington, D.C., 2019.

[a] The figures are the nominal values obtained from the budgets relative to the nominal GDP projected for 2020 by the International Monetary Fund (IMF) and published in *World Economic Outlook* in 2019.

[b] In the cases of Brazil, El Salvador and Guatemala, the figures correspond to the nominal values obtained from the official projections and amended budgets relative to the 2020 nominal GDP projected by ECLAC.

[c] The figures represent primary expenditure, excluding interest payments.

[d] Federal public sector figures.

[e] General government figures.

Table I.11
Latin America (8 countries): fiscal transparency portals related to the measures adopted to cope with coronavirus disease (COVID-19), 2020

Country	Name of the transparency portal	Website address
Brazil	Monitoramento dos Gastos da União com Combate à COVID-19	https://www.tesourotransparente.gov.br/visualizacao/painel-de-monitoramentos-dos-gastos-com-covid-19
Chile	Plan Económico de Emergencia COVID-19: Avances y Cumplimiento	https://reporte.hacienda.cl/
Colombia	Portal de transparencia económica	http://www.pte.gov.co/WebsitePTE/Index
Costa Rica	Transparencia de la gestión pública ante la emergencia COVID-19	https://sites.google.com/cgr.go.cr/covid-19
Guatemala	COVID 19: Seguimiento a Programas Sociales y Económicos	https://www.minfin.gob.gt/index.php/?option=com_content&view=article&id=6387
Honduras	Portal Transparencia COVID 19	https://www.sefin.gob.hn/covid-19/
Paraguay	Módulo COVID-19 del portal Rindiendo Cuentas	https://rindiendocuentas.gov.py/
Peru	Tablero de Control de Seguimiento del Presupuesto COVID-19	https://www.mef.gob.pe/es/informacion-presupuestal-covid-19/tablero-de-control-de-seguimiento-del-presupuesto-covid-19

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

4.   Fiscal deficits and public debt levels are set to increase, reflecting the widening gap between public revenues and expenditure

In line with the trends described above, the latest updates of the region's fiscal frameworks highlight the extent of the deterioration in the fiscal position projected for 2020. As table I.12 shows, deficits of more than 8 percentage points of GDP are forecast in Brazil, Chile, Colombia, Costa Rica and Peru. In Brazil, the figure shown corresponds to the primary outturn, so the overall deficit will be even larger. This worsening of the fiscal position largely reflects the fiscal effort made on the public expenditure side to cope with the pandemic.

Table I.12
Latin America (8 countries): current official projections of the global central government balance, 2020
(Percentages of GDP)

Country	2019 (Observed value) A	2020 (Approved budget)[a] B	2020 (Year-end projection)[b] C	Variation in the estimated central government balance for 2020 relative to: *(percentage points)*	
				2020 (Approved budget) C-B	2019 (Observed value) C-A
Brazil[c]	-1.3	-1.6	-11.7	-10.1	-10.4
Chile[d]	-2.8	-2.0	-9.6	-7.6	-6.8
Colombia	-2.5	-2.4	-8.2	-5.8	-5.7
Costa Rica	-7.0	-6.5	-9.3	-2.8	-2.3
Dominican Republic	-2.3	-2.2	-5.0	-2.8	-2.7
Mexico[e]	-1.7	-2.2	-2.9	-0.7	-1.2
Peru[f]	-1.4	-1.6	-10.2	-8.6	-8.8
Uruguay	-3.0	…	-5,7	…	-2.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Treasury, *Relatório de Avaliação de Receitas e Despesas Primárias (RARDP)- 3º bimestre de 2020*, Brasilia, 2020; Budget Office of the Ministry of Finance of Chile (DIPRES), *Informe de Finanzas Públicas: Marco de Entendimiento para Plan de Emergencia para la Protección de los Ingresos de las Familias y la Reactivación Económica y del Empleo. Segundo Trimestre 2020*, Santiago, 22 June 2020; Ministry of Finance and Public Credit, *Marco Fiscal de Mediano Plazo 2020*, Bogotá, June 2020; Ministry of Finance, "Hacienda anuncia proyecciones fiscales para cierre del año y para 2021", *Comunicado de Prensa*, No. 110, San José, July 2020; Ministry of Finance of the Dominican Republic, "Política Presupuestaria para el Ejercicio Fiscal del año 2021", Santo Domingo, June 2020; Ministry of Finance and Public Credit (SHCP), "Paquete Económico para el Ejercicio Fiscal 2021", Mexico City, 8 September 2020; Ministry of Economy and Finance, *Marco Macroeconómico Multianual 2021-2024*, Lima, 26 August 2020; Ministry of Economy and Finance, *Exposición de Motivos, Proyecto de Ley de Presupuesto Nacional 2020-2024*, Montevideo, 31 August 2020; and International Monetary Fund (IMF), *World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers*, Washington, D.C., 2019.

[a] The figures are the nominal values obtained from the budgets relative to the nominal GDP projected for 2020 by the International Monetary Fund (IMF) and published in *World Economic Outlook* in 2019.
[b] The figures for Brazil represent the nominal values obtained from the official projections and amended budgets relative to the nominal GDP projected for 2020 by ECLAC.
[c] The figures represent the primary balance.
[d] The figures represent the global balance.
[e] Federal public sector figures.
[f] General government figures.

The figures recorded up to the first quarter of 2020 reveal how the current fiscal situation is putting growing pressure on the trend of public debt. In late March 2020, the gross public debt in Latin America stood at 46.8% of GDP —up by 0.8 percentage points on the 46.0% recorded in December 2019. Of the countries included in figure I.37, six display an increase of more than 2 percentage points of GDP over their end-2019 levels: Brazil and Colombia (+2.7 points), El Salvador (+2.6 points), Mexico (+2.4 points) and Paraguay (+3.3 points). In some cases, debt levels have been pushed up by bond issues made during the first quarter in countries that are able to access international markets on reasonable terms (see section I.B, on the external sector).

Figure I.37
Latin America (16 countries): central government gross public debt, December 2019 and March 2020
(Percentages of GDP)
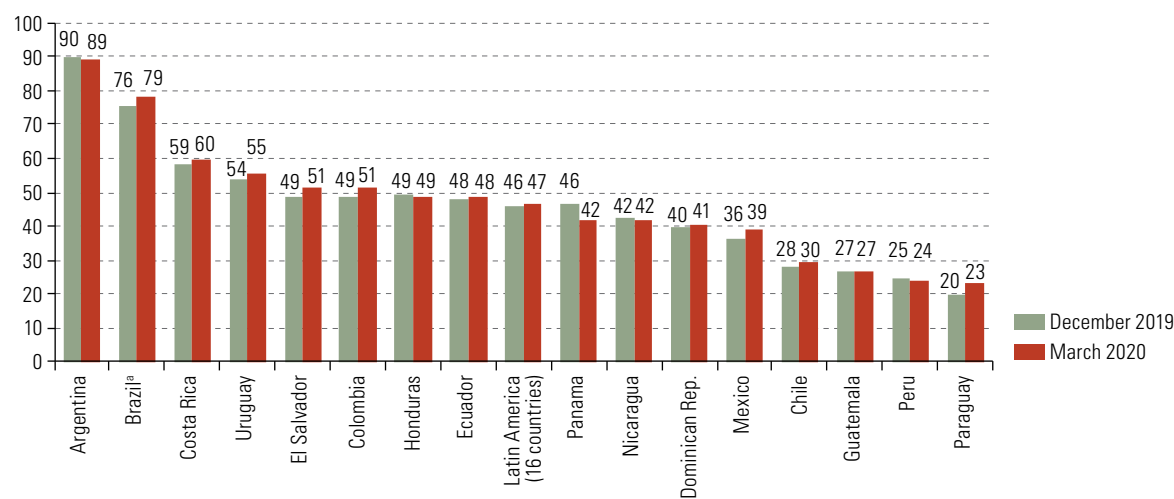
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] General government figures.

In keeping with the above, the countries are projecting significant increases in gross public debt by late 2020. Table I.13 presents the current official projections for late 2020, with levels rising by between 4.8 and 17.7 percentage points of GDP relative to a year earlier. It is interesting to analyse the asymmetric impact of the expansion of the global deficit on the level of government debt. For example, Chile's Emergency Economic Plan will be financed by expenditure reallocations totalling US$ 2.5 billion, plus US$ 4 billion in borrowing and a drawdown of public treasury assets totalling US$ 5.615 billion (DIPRES, 2020b). In the case of Mexico, the increase in the public deficit is expected to be financed mainly from financial assets (SHCP, 2020).

Table I.13
Latin America (6 countries): current official projections of central government gross public debt, 2020
(Percentages of GDP)

Country	2019 (Observed value) A	2020 (Approved budget) B	2020 (official Projection for year-end) C	Variation in the public debt/GDP ratio projected for 2020 relative to the budget approved for 2020 *(percentage points)* C-B	Variation in the public debt/GDP ratio projected for 2020 relative to the value observed in 2019 *(percentage points)* C-A
Brazil[a]	75.8	76.0	98.2	22.2	22.4
Chile	27.9	29.6	34.8	5.2	6.9
Colombia	48.6	…	65.6	…	17.0
Costa Rica	58.5	…	70.2	…	11.7
Mexico[b]	45.5	45.8	53.6	7.8	8.1
Uruguay	53.8	…	65.6	…	11.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Treasury, *Relatório Quadrimestral de Projeções da Dívida Pública*, No. 2, July 2020; Budget Office of the Ministry of Finance of Chile (DIPRES), *Informe de Finanzas Públicas: Marco de Entendimiento para Plan de Emergencia para la Protección de los Ingresos de las Familias y la Reactivación Económica y del Empleo. Segundo Trimestre 2020*, Santiago, 22 June 2020; Ministry of Finance and Public Credit, *Marco Fiscal de Mediano Plazo 2020*, Bogotá, June 2020; Ministry of Finance, "Hacienda anuncia proyecciones fiscales para cierre del año y para 2021", *Comunicado de Prensa*, No. 110, San José, July 2020; Ministry of Finance and Public Credit (SHCP), "Paquete Económico para el Ejercicio Fiscal 2021", Mexico City, 8 September 2020; and Ministry of Economy and Finance, *Exposición de Motivos, Proyecto de Ley de Presupuesto Nacional 2020-2024*, Montevideo, 31 August 2020.
[a] General government figures.
[b] The figures correspond to the net debt of the federal public sector.

5. The public accounts of Latin American countries are facing the most challenging situation since the 1980s debt crisis

In a context characterized by limited information, this section presents estimates of the fiscal situation that Latin America is likely to face in 2020. The analyses that emerge from these estimations should be viewed as indicative of the region's fiscal position, taking into account the macroeconomic assumptions and expenditure budgets in place in August 2020. In this context, the estimations based on the methodology used in this section (see table I.14) lead to conclusions that are in line with the available official estimates. Taken together, they suggest that the region is facing its greatest fiscal challenge since the public-debt crisis of the early 1980s.

Table I.14
Methodology used to estimate the main fiscal indicators for 2020

Indicator	Assumptions and calculations
Nominal GDP	The nominal GDP growth rate for 2020 is estimated by adding the real GDP growth rate for 2020 estimated by ECLAC (see paragraphs on economic activity in section I.E) to the rise in the consumer price index (CPI) as of May 2020 (as a proxy for the year).
	The value of GDP in national currency at current 2020 prices is calculated by applying the estimated growth rate to the observed value of GDP in national currency at current prices in 2019.
Total revenue	In the cases of Brazil, Chile, Colombia,Costa Rica, Dominican Republic, Mexico, Peru and Uruguay the ratio of total revenue to GDP comes from the official projections for 2020. For the other countries, the total revenue/GDP ratio is estimated as follows:
	1. The rate of growth in total revenue at constant prices is estimated for 2020 using the following ordinary least-squares model: $$d.ln(rrev_t) = \alpha + \beta_1\, d.ln(rgdp_t) + \beta_2\, X_t + \beta_3\, Y_t + \varepsilon$$ Where: **d.ln(rrev) =** first difference of the natural logarithm of total revenue measured in national currency at constant prices **d.ln(rgdp) =** first difference of the natural logarithm of GDP at constant prices **X =** vector of relevant macroeconomic variables for each country (for example, real year-on-year variation in the GDP of advanced countries, or the prices of raw materials such as crude oil and minerals and metals) **Y =** vector of dummy variables to capture outliers that are relevant to each country (for example, tax reforms or exceptional income from dividends or other financial returns). The macroeconomic indicators are provided by ECLAC (projection of the real GDP growth rate), the International Monetary Fund (IMF) (projection of the real GDP growth rate of advanced countries) and the World Bank (projection of the real growth rate of raw material prices). 2. The rate of growth of total revenue in current prices is estimated by adding the CPI growth rate observed as of May 2020 (as a proxy for the year) to the growth rate estimated in step 1. 3. The growth rate estimated in step 2 is applied to the observed value of total revenue in 2019 to estimate the value of total income in 2020. 4. The total revenue/GDP ratio is calculated using nominal GDP estimated for 2020 (calculated as described at the top of this table). In the cases of Argentina, Brazil and Costa Rica, total revenue in 2019 was adjusted for the exceptional income received in that year (ECLAC, 2020d, chapter II).
Total expenditure	In the cases of Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Peru and Uruguay, the ratio of total expenditure to GDP is obtained from official projections for 2020.
	In the cases of Brazil, El Salvador, Guatemala and Honduras, the ratio of total expenditure to GDP is calculated using the value of the amended budget and the nominal GDP estimated for 2020 (calculated as described at the top of this table).
	For the other countries, the total expenditure/GDP ratio is calculated using the value of the approved budget and the nominal GDP estimated for 2020 (calculated as described at the top of this table). This amount is augmented by 50% of the value of the fiscal packages that each country has implemented, on the assumption that half of the resources mobilized represent additional expenditures.
Interest payments	The implicit nominal interest rate (which is calculated by dividing the 2018 government debt stock by the 2019 interest payments) is applied to the government debt stock at end-2019.
Public debt	In the cases of Brazil, Chile, Colombia, Costa Rica, Peru and Uruguay, the ratio of gross public debt to GDP is obtained from official projections for 2020.
	The level of gross public debt in 2020 is calculated using the following formula: $$d_t = \frac{1+r}{1+g}\, d_{t-1} - pb_t$$ Where: **r =** implicit real interest rate on public debt (2011–2019 average) **g =** real GDP growth rate projected by ECLAC for 2020 (see paragraphs on economic activity in section I.E) **pb =** estimated primary balance for 2020

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] See ECLAC, *Fiscal Panorama of Latin America and the Caribbean, 2020: fiscal policy amid the crisis arising from the coronavirus disease (COVID-19) pandemic* (LC/PUB.2020/6-P), Santiago, ch. II.

The public-sector effort to address the short-term effects of the pandemic will likely fuel a surge in central government spending. Total expenditures in the Latin American countries could rise to 25.4% of GDP on average in 2020, compared to the previous year's 21.7% —an increase of 3.7 percentage points (see figure I.38). This would be the highest since 1950, with similar levels most recently attained in the 1980s, specifically in 1982 (23.0% of GDP) and 1983 (23.3% of GDP).

Figure I.38
Latin America (16 countries):[a] central government fiscal indicators, 1950-2020[b]
(Percentages of GDP)
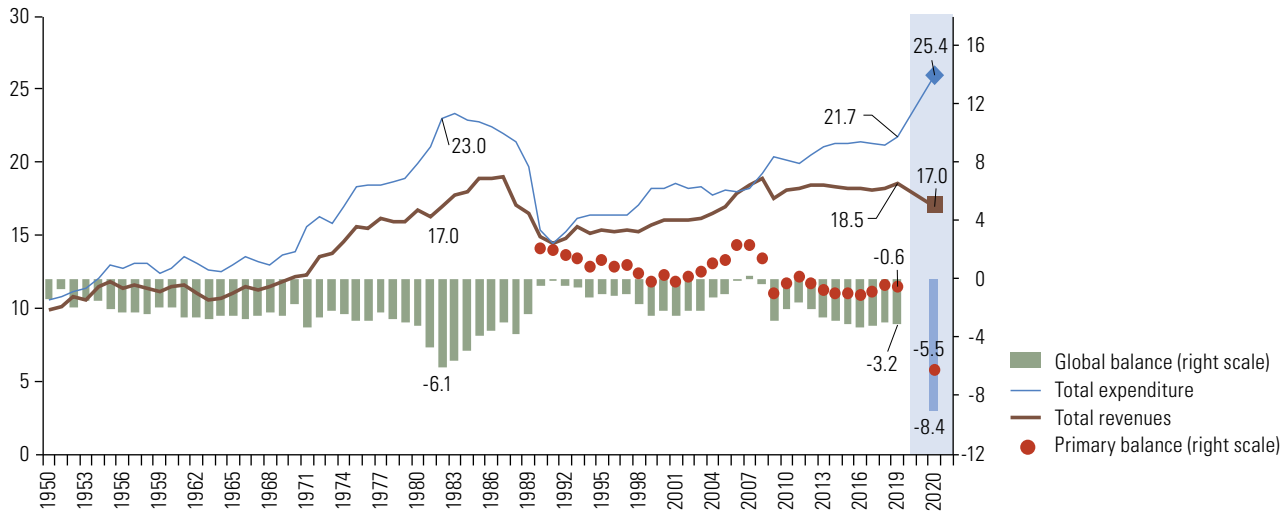
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates.
Note: Simple averages. In the cases of Argentina, Mexico and Peru, the figures refer to the national public administration, the federal public sector and general government, respectively.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[b] The figures for 1950-2019 are observed values while those for 2020 are ECLAC estimates.

At the same time, central government revenues in Latin America are expected to shrink in 2020. Figure I.38 shows total revenue forecast at 17.0% of GDP in 2020, compared to the previous year's 18.5%, a reduction of 1.5 percentage points. The level estimated for 2020 would be the lowest since 2004 (16.4% of GDP). The total revenue estimate for 2020 is in line with the levels observed in the early 1980s, which would mean giving up the progress that has been made since then —at least temporarily.

Consequently, the 2020 global balance —as an indicator of the central government's fiscal position— is expected to post the largest deficit since 1950, at 8.4% of GDP. The last time the region recorded a similar global shortfall was in 1982, when it was 6.1%. It is important to note that this projected increase in the overall deficit follows a prolonged period of high and persistent deficits, averaging 2.7% of GDP between 2010 and 2019. Estimates also foresee a major increase in the primary deficit in 2020, which could widen to 5.5% of GDP from the previous year's 0.6%. This would reverse the recent trend of reducing the primary deficit to keep the public debt sustainable.

In line with the above, the gross public debt of central governments in Latin America is expected to increase, partly because the differential between interest rates and growth rates has deteriorated. This reflects the weakening of economic activity and a rise in the nominal interest rate in some countries, in conjunction with the behaviour of the exchange rate.[28] In this context, the projected widening of the primary deficit has put additional

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[28]   If the interest rate is above the growth rate, a primary fiscal surplus is needed to stabilize or reduce the debt/GDP ratio. The higher the initial debt level, the larger the primary surplus required.

pressure on public debt levels, rather than containing it. The central government gross public debt of the 16 countries in the sample is projected to increase by 9.3 percentage points to 55.3% of GDP in 2020, from the previous year's 46.0% (see figure I.39).
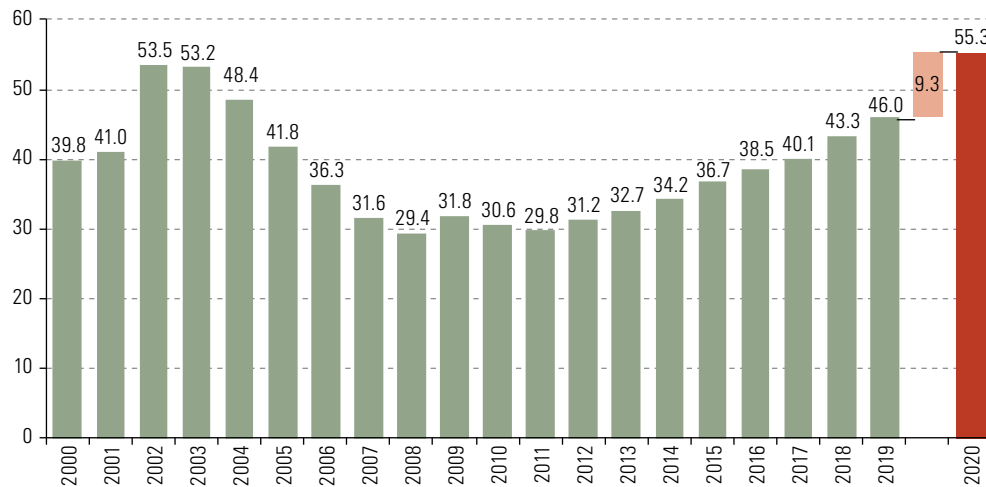
Figure I.39
Latin America (16 countries): central government gross public debt, 2010-2020[a]
(Percentages of GDP)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Simple averages.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[b] The figures for 2000–2019 are observed values while those for 2020 are estimates.

Despite this challenging context, as described in chapter II, the role of the public sector continues to grow as the pandemic evolves, and as the need increases for fiscal measures sustained over the medium term, to rebuild the region's economies and nurture the creation of welfare states. Overcoming the current obstacles to active fiscal policies —stalling or declining revenues, a growing deficit and burgeoning debt— is a challenge that must be addressed both nationally and internationally. At the national level, it will be crucial to forge new fiscal covenants that enable the region to make progress towards sustainable development. At the same time, the region must foster greater international cooperation on financial and taxation issues, in order to respond adequately to the crisis and boost economic recovery and sustainable development.

6.   Since the pandemic began, Latin American and Caribbean monetary authorities have focused on averting a collapse of their economies, a breakdown of the credit system and a financial crisis

The adverse effects of the COVID-19 pandemic in the region, whose growth rate has plunged more steeply than at any other time in the last 100 years, have prompted the authorities to adopt expansionary monetary policies in order (with the help of the Treasury) to buoy aggregate domestic demand. They have also moved to adjust macroprudential rules in order to prevent an abrupt deterioration of loan portfolios —and a consequent need to increase loan-loss provisions— and to bolster the balance sheets of financial institutions. These changes in macroprudential regulations, which are also aimed at preserving the region's macrofinancial stability, have included increased interventions in currency markets, modifications of bank reserve requirements, swap arrangements with central banks in other regions and the activation of lines of credit with international agencies.

The magnitude of the current crisis has also driven central banks in the region to adopt some unconventional measures, such as buying up large amounts of different financial institutions' assets, and, in some cases, providing financing directly to the Treasury by transferring international reserves to it or buying public securities on the primary market. Given the severity of this crisis, low inflation rates, the deterioration in the population's social and economic conditions and the need to stave off a credit and financial crash, the economic authorities have had to adopt a much more pragmatic approach and have begun to use a broader array of policy tools.

7. One of the first reactions on the part of the region's central banks was to sharply reduce the monetary policy rate, which in some cases is now close to zero

Monetary policy rates were lower at the close of 2019 than they were at the close of 2018 in 7 of the 10 economies where this variable is the chief instrument of monetary policy (Brazil, Chile, Costa Rica, Dominican Republic, Mexico, Paraguay and Peru); in the other three (Colombia, Guatemala and Honduras), they remained stable (see figure I.40). In Chile and Honduras, the monetary authorities had hiked these rates at the start of the year, but, in view of the sluggishness of economic activity, their central banks then reversed these policies. In the first two months of 2020, rates were adjusted downward in Brazil, Costa Rica, Mexico and Honduras, as the authorities took advantage of low inflation rates to introduce more expansionary policies to counter the slump in external demand.

The picture changed with the arrival of COVID-19, however: isolation or confinement measures, changes in the outlook for growth and the combined efforts of fiscal and monetary authorities prompted the 10 central banks in the region that use interest rates as their main policy instrument to cut them to record lows. In Chile and Peru, rates have approached zero (0.5% and 0.25%, respectively).

Figure I.40
Latin America (selected countries): monetary policy rates in countries where they serve as the main policy tool, January 2016 to June 2020
(Percentages)

Figure I.40 (concluded)

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

8. The growth rate of monetary aggregates has surged throughout the region

In the economies of the region where the main policy instrument is the regulation of the growth of monetary aggregates (Argentina, Haiti, the Plurinational State of Bolivia and Uruguay, the dollarized economies —Ecuador, El Salvador and Panama— and the non-Spanish-speaking Caribbean countries other than Jamaica), the authorities have also worked to spur demand, and in 2019 they succeeded in boosting the growth of the monetary base. In 2020, they have stepped up those efforts, especially since March, and this is reflected in figure I.41. Similar trends can also be seen in broader aggregates such as M1 and M2.

Figure I.41
Latin America and the Caribbean (selected groups of countries): trends in the monetary base in countries that use aggregates as their main monetary policy tool, first quarter of 2018 to second quarter of 2020 (*Percentages*)
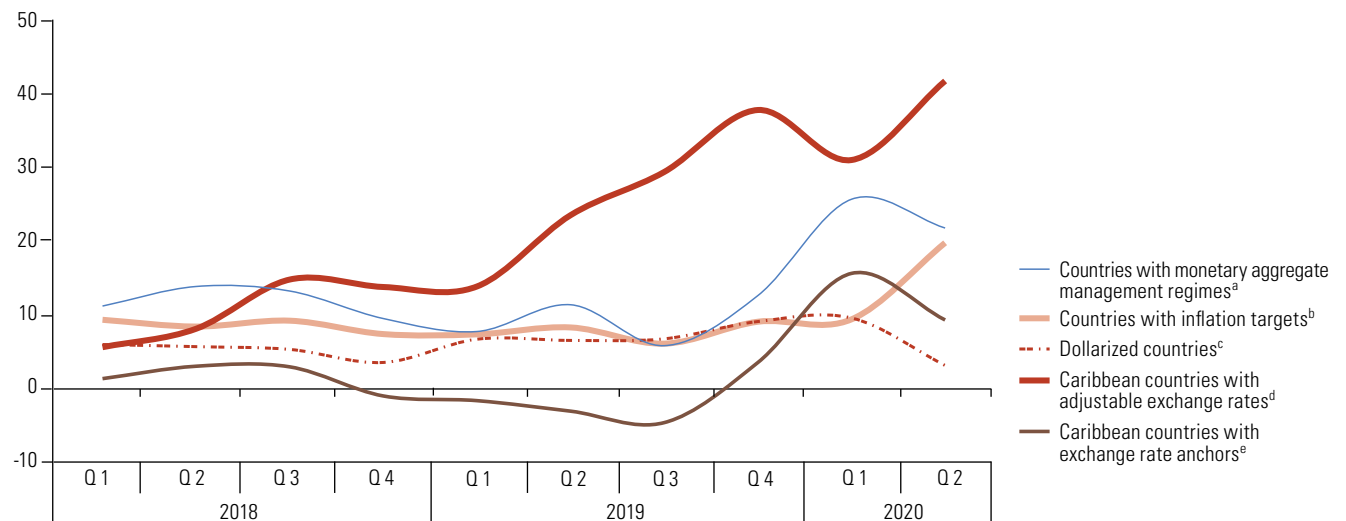
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Argentina, Haiti, Nicaragua, Plurinational State of Bolivia and Uruguay.
[b] Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Jamaica, Mexico, Paraguay and Peru.
[c] Ecuador, El Salvador and Panama.
[d] Guyana, Suriname, and Trinidad and Tobago.
[e] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

While the rate of growth in the monetary base accelerated in the first semester of 2020 in all the groups of countries shown in this figure, that upward trend was less pronounced in the dollarized economies, where access to a larger supply of foreign exchange is required in order to expand the monetary base — access which is currently restricted.

In countries where the management of monetary aggregates is the main policy tool for expanding the monetary base, central banks have opted for such measures as lowering bank reserve requirements, purchasing securities held by the financial system and providing financing to the public sector. These efforts are also reflected in broader aggregates. In the Bolivarian Republic of Venezuela (a country not included in the above-mentioned groups), variations in the monetary base have moved in the opposite direction, and its pace of growth in 2019 slowed, with the year-on-year rate plummeting from over 90.000% in the first quarter of 2019 to less than 2.500% in the first quarter of 2020 and to nearly 1.500% in the second quarter of 2020. The Venezuelan authorities have been taking steps to try to bring the country's hyperinflation under control.

9. Expansionary policies have pushed lending rates downward, but even so there has been a slight recovery in credit to the private sector

In 2019, efforts to boost liquidity caused average interest rates on loans to decline in 21 countries of the region, with the mean reduction since end-2018 amounting to over two percentage points. The steepest drop was in Argentina (11.3 percentage points). In 2018, lending rates had declined in 16 countries; in 2019, they rose by an average of 07 percentage points in 11 countries, with the sharpest increases being seen in Jamaica and Mexico (1.7 percentage points). In the first half of 2020, lending rates were lower in 18 countries, with the average decrease coming to 2.6 percentage points and the largest reduction being observed in Argentina (22.3 percentage points). On the other hand, lending rates rose in the first half of 2020 in 7 countries, where the average increase was 0.18 percentage points. The largest upswing was in El Salvador (0.55 percentage points).

In 2019, domestic credit to the private sector of the region tended to shrink in real terms except in economies that use the interest rate as their main monetary policy tool. In those countries, real credit to the private sector actually grew, although at an increasingly slower rate until it stabilized at a rate of near 5% (see figure I.42). In the second quarter of 2020, monetary stimuli and lower inflation in these countries drove up the growth of credit to 6.6% in real terms.

As may also be seen from figure I.42, credit expanded in 2018 in economies where the management of monetary aggregates is the chief policy tool. However, that expansion began to slow in the fourth quarter of that year, with the rate slipping from nearly 5.3% for the first three quarters of the year to 4.5% in the fourth quarter. In 2019, that downward trend sharpened in the first three quarters, and, in the fourth quarter, credit actually contracted by 0.5% and then shrank by 1.2% in the first quarter of 2020. In the second quarter of 2020, this group of economies registered a growth rate of 1.4% thanks to expansionary monetary and fiscal policies and lower rates of inflation.

In Argentina and the Bolivarian Republic of Venezuela, credit to the private sector continued to decline in 2019, with the contraction in the fourth quarter of the year amounting to 20.0% in the former and 78.3% in the latter. It continued to shrink in the first half of 2020 in both of these economies, although it decreased less in the second quarter than it had in the first. In the non-Spanish-speaking economies of the Caribbean, domestic lending to the private sector remained flat in 2019 following low but positive growth rates in this variable in 2018.

Figure I.42
Latin America and the Caribbean (selected countries): trends in real domestic credit to the private sector,
first quarter of 2016 to second quarter of 2020
(*Percentages*)
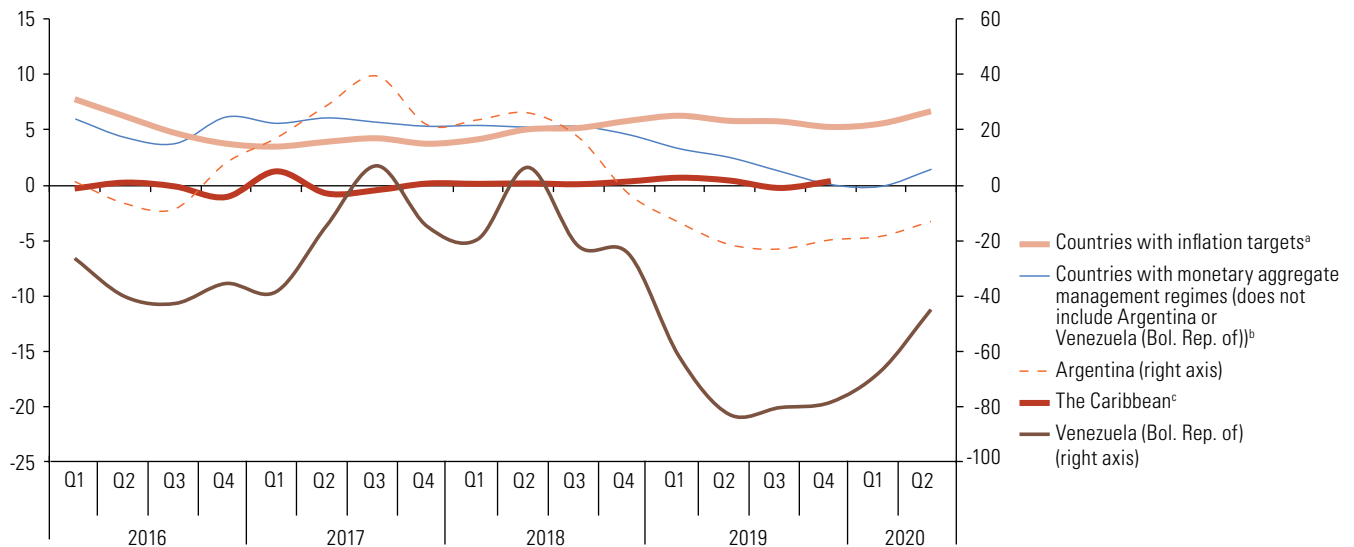
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Average of annualized rates.
[a] Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Paraguay and Peru.
[b] Plurinational State of Bolivia, Haiti, Nicaragua 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.

10.   The volatility of international financial markets is also being felt in the region, where exchange rates have fluctuated sharply

The currencies of 12 economies in the region depreciated against the dollar in 2019
relative to their 2018 levels (by an average of 12.1%), while those of 6 other countries
appreciated by an average of 2.3%.

One hallmark of 2019 was the volatility of the region's currencies, as alternating
bouts of depreciation and appreciation reflected the marked degree of uncertainty
prevailing in international financial markets (see table I.15).

Markets have become even more volatile in 2020. The turbulence generated by the
pandemic has triggered sharp exchange-rate corrections, and the region's currencies
fluctuated considerably in the first six months of the year. As may be seen from figure I.43,
the half-yearly indicator for exchange-rate volatility based on average intraday variations
(in absolute values) for the first half of 2020 has been one of the highest since 2015 in
almost all the countries. In fact, it is among the highest 75% in 12 of the 15 countries
included in the table and the highest of all in 7 of them.

This heightened volatility led to the depreciation of 14 currencies in the region during
the first quarter of 2020 (by 9.2%, on average), while 4 other currencies appreciated
slightly (by an average of 0.4%). These corrections were fuelled by large-scale capital
movements, downturns on stock markets, the slump in international trade, falling raw
material prices, dwindling remittances and plummeting tourism. In the second quarter
of 2020, 7 currencies appreciated (by an average of 3.4%), while another 11 depreciated
(by an average of 3.7%). This reflected an upswing in raw material prices and in capital
inflows to emerging economies, including those of the region.

Table I.15
Latin America and the Caribbean (18 countries): inter-quarter variations in nominal
exchange rates for the dollar, first quarter of 2019 to second quarter of 2020
(Percentages)

	Argentina	Brazil	Chile	Colombia	Paraguay	Peru	Jamaica	Mexico	Bolivia (Plurinational State of)
Q1-2019	15.0	1.0	-2.1	-2.0	3.8	-1.5	-2.2	-1.1	0.0
Q2-2019	43.6	17.3	8.3	4.9	2.6	1.8	3.1	9.5	0.0
Q3-2019	35.6	8.0	7.4	8.3	2.9	2.3	-0.9	2.7	0.0
Q4-2019	4.0	-3.2	3.3	-5.5	1.3	-1.7	1.7	-4.1	0.0
Q1-2020	7.6	29.3	13.4	23.7	1.5	3.6	2.5	25.1	-0.1
Q2-2020	8.1	0.3	-8.0	-7.8	2.4	1.5	4.0	-5.6	0.1

	Nicaragua	Suriname	Guyana	Trinidad and Tobago	Uruguay	Costa Rica	Haiti	Honduras	Dominican Republic
Q1-2019	0.8	0.3	-0.2	-0.1	3.3	-1.2	8.1	1.0	0.6
Q2-2019	0.9	0.5	1.1	1.8	10.8	0.3	2.0	1.6	0.1
Q3-2019	0.5	0.0	0.0	1.5	5.1	-0.4	2.5	0.5	3.0
Q4-2019	1.4	0.0	0.0	-0.2	1.1	-1.5	0.4	-0.3	1.1
Q1-2020	-0.2	0.8	0.9	-0.1	16.1	1.3	-1.2	0.5	3.0
Q2-2020	-0.7	3.4	0.1	-0.1	-1.7	-0.6	13.8	0.1	6.9

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

Figure I.43
Latin America and the Caribbean (15 countries): volatility of the nominal exchange rate, average absolute values
for intraday variations, first and second halves of each year, 2015–2020
(Percentages)
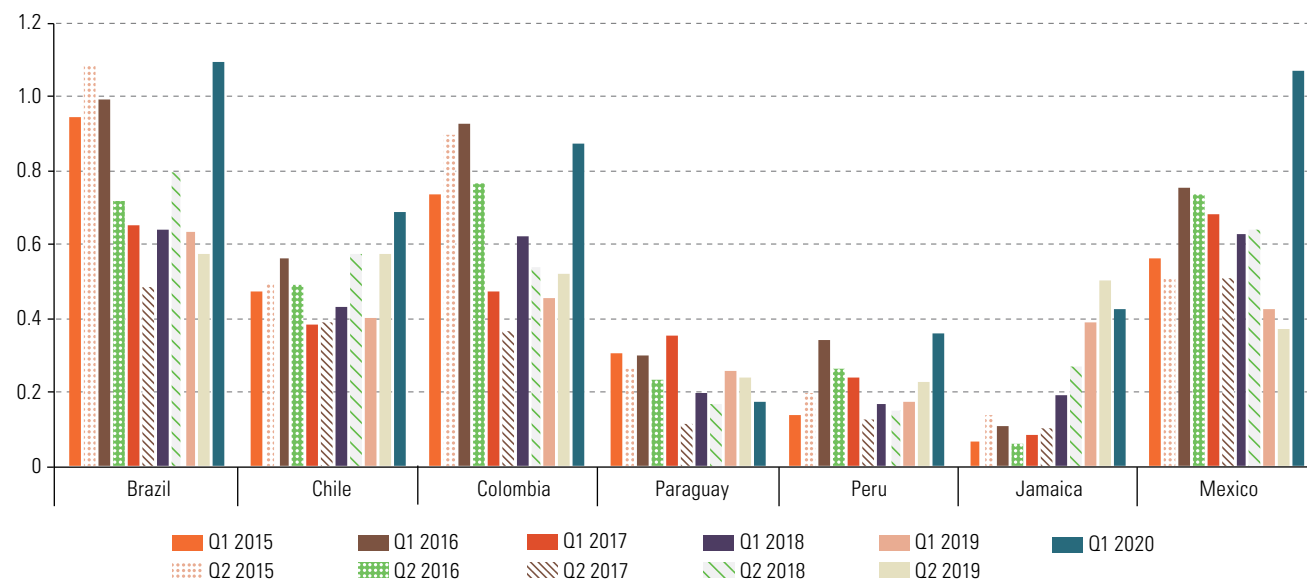
Figure I.43 (concluded)
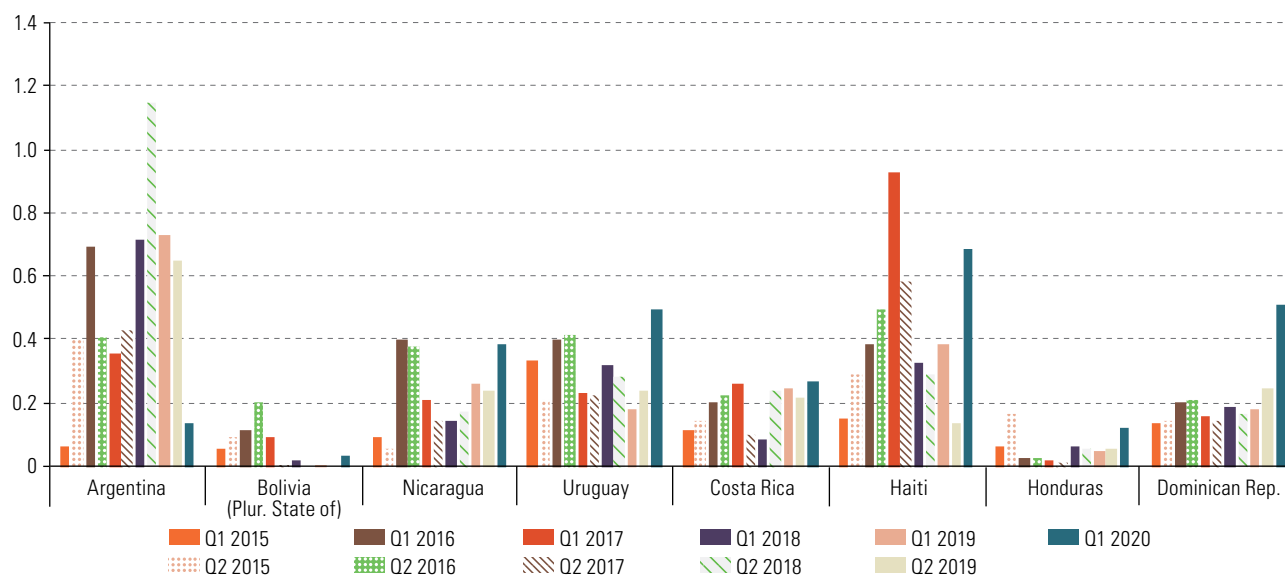
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

11. In 2019, the fluctuation of the region's currencies was coupled with an intensification of interventions in currency markets and the resulting increase in the use of international reserves, but reserves rose during the first six months of 2020

In 2019, total international reserves in the region slipped by 2.1%, falling from US$ 867 billion at the close of 2018 to US$ 849 billion at the close of 2019. International reserves were lower in 13 countries (for a mean contraction of 12%) and higher in 19 countries (a mean expansion of 17.3%). The countries that witnessed the steepest downswings (over 24%) were Argentina, the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia, while those with the sharpest increases (over 41%) were Barbados, Bahamas and Panama.

In the first six months of 2020, reserves climbed by 2.0% and then, in July, rose again, exceeding their 2018 level. Reserves were up in 19 countries and down in 13.[29] The economies where reserves fell the most (by over 18%) between January and July 2020 were the Dominican Republic, Ecuador, El Salvador and Suriname, while those where they climbed the most (by over 19%) were Antigua and Barbuda, Grenada, Honduras, Panama and Paraguay.

Factors that may be behind the increase in international reserves during the first half of 2020, and particularly in the second quarter of the year, include the steep dive in imports caused by the economic contraction, rebounding commodity prices, the financing that some economies have obtained on international financial markets and the funding provided by multilateral financial institutions to help them cope with the pandemic. Many of the economies whose reserves shrank the most have their currencies anchored to the dollar, which seems to indicate that the authorities drew on international reserves to defend their countries' exchange rate systems.

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[29]   At the time of writing, the economies of the Eastern Caribbean had not reported the levels of their international reserves in 2020.
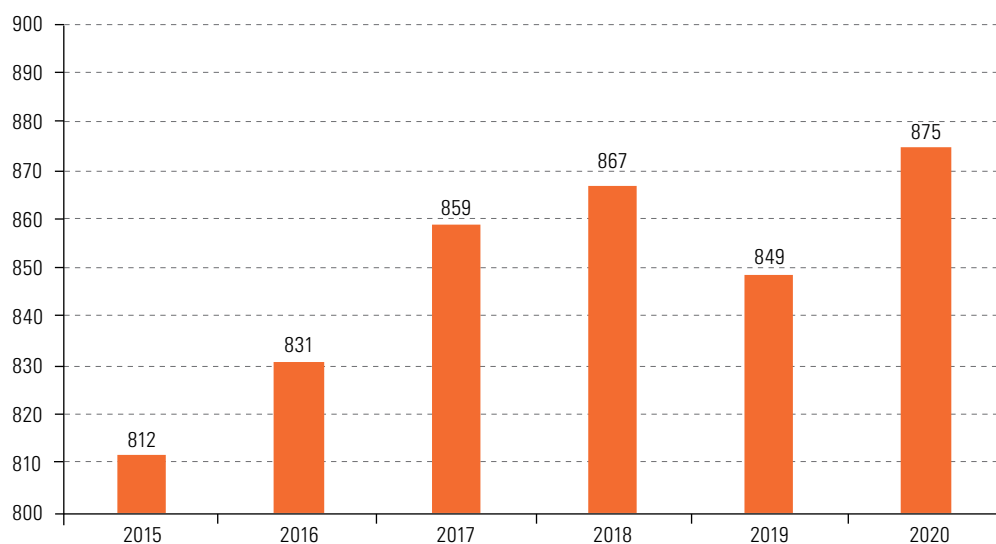
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Information available up to 24 July 2020.

12. Throughout the region, countries have adjusted their macroprudential regulations to shore up their macrofinancial stability

The region's economies have taken a number of steps to try to maintain their macrofinancial stability in the face of this immense crisis. Central banks, the financial system's regulatory agencies and fiscal authorities have announced a variety of measures intended to avert liquidity crises and credit crunches. The main guiding principle for macroprudential policymakers in the region has been to use all available tools, whether conventional or not, to deal with the crisis. Some of the objectives of these measures are the following:

(i) Increasing the financial system's liquidity. Measures aimed at achieving this have included steep cuts in monetary policy rates, the temporary suspension or relaxation of rules on maturity mismatches, reductions in reserve requirements and the establishment of mechanisms to facilitate lending to financial institutions.

(ii) Assisting financial institutions and debtors to avert a deterioration in these institutions' balance sheets. These measures have included introducing temporary regulatory adjustments to ease borrowers' financial burdens, loosening the solvency requirements applying to intermediaries and streamlining electronic payments, adjusting the special accounting rules to which financial institutions are subject, voluntarily suspending institutions' payouts of dividends to their shareholders, restructuring loan agreements and increasing government credit guarantees, especially for small and medium-sized enterprises.

(iii) Stabilizing the currency market with the help of forward markets, swaps, the application of differentiated reserve requirements for foreign-currency deposits and the establishment of liquidity lines and swap arrangements with central banks in other regions, such as the United States Federal Reserve, and with multilateral organizations such as the International Monetary Fund (IMF).

(iv) Injecting liquidity into the Treasury, large corporations and financial institutions via the central bank. Unconventional measures employed to achieve this aim have included outright repurchases of public bonds held by banks, the purchase of public-sector securities on the primary market, the inclusion of corporate bonds as eligible collateral for all current operations and the launch of a programme for purchasing bank bonds from system participants.

E. Outlook for the current year and projections[30]

1. As a result of both the external and domestic shocks caused by the COVID-19 pandemic, the region's GDP is expected to fall by 9.1% in 2020

In Latin America and the Caribbean, the global COVID-19 pandemic caused domestic and external shocks, the combined effect of which is expected to push the region into the worst economic downturn since records began in 1900.

The GDP of Latin America and the Caribbean is projected to contract by 9.1% in 2020 (see figure I.45). This sharp decline will result in a 9.9% drop in regional per capita GDP, marking a reversal of 10 years' growth, to a level similar to that recorded in 2010. By subregion, the largest fall in GDP will be in South America (9.4%), followed by Central America and Mexico (8.4%) and the Caribbean excluding Guyana (7.9%). Including Guyana, the fall is forecast at 5.4%. Trends vary somewhat among subregions and countries, owing to differences in exposure to the international context, in the stringency of measures to contain the spread of COVID-19 and in the composition of economic sectors (see figure I.45).
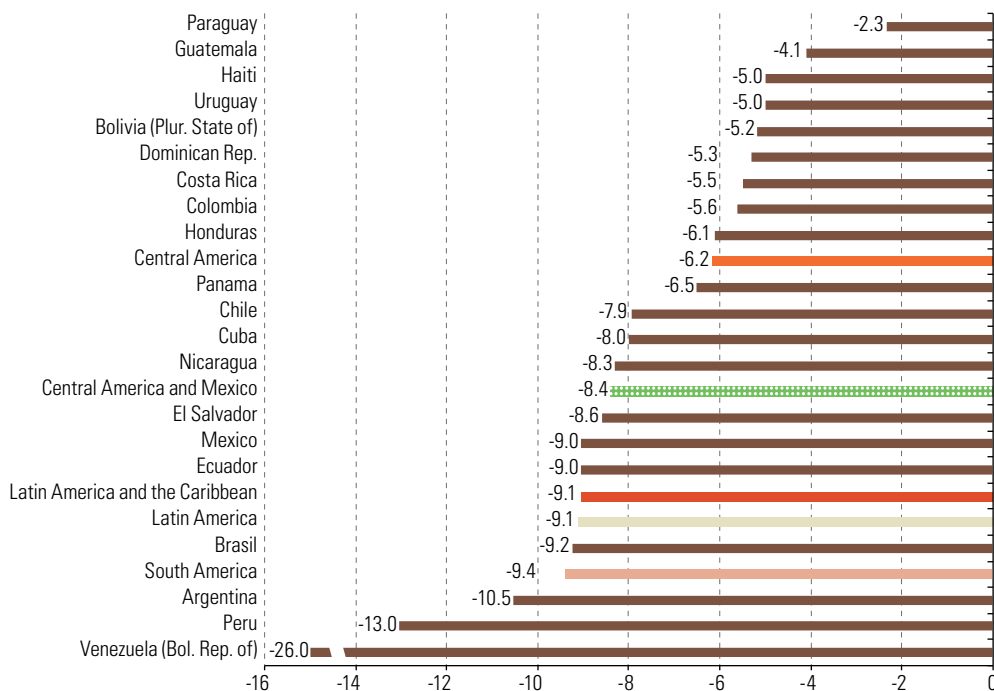
Figure I.45
Latin America and the Caribbean: projected GDP growth, 2020
(Percentages, on the basis of constant 2010 dollars)

A. Latin America

Country	Value
Paraguay	-2.3
Guatemala	-4.1
Haiti	-5.0
Uruguay	-5.0
Bolivia (Plur. State of)	-5.2
Dominican Rep.	-5.3
Costa Rica	-5.5
Colombia	-5.6
Honduras	-6.1
Central America	-6.2
Panama	-6.5
Chile	-7.9
Cuba	-8.0
Nicaragua	-8.3
Central America and Mexico	-8.4
El Salvador	-8.6
Mexico	-9.0
Ecuador	-9.0
Latin America and the Caribbean	-9.1
Latin America	-9.1
Brasil	-9.2
South America	-9.4
Argentina	-10.5
Peru	-13.0
Venezuela (Bol. Rep. of)	-26.0

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[30] These projections are presented in ECLAC (2020b).

Figure I.45 (concluded)

B. The Caribbean
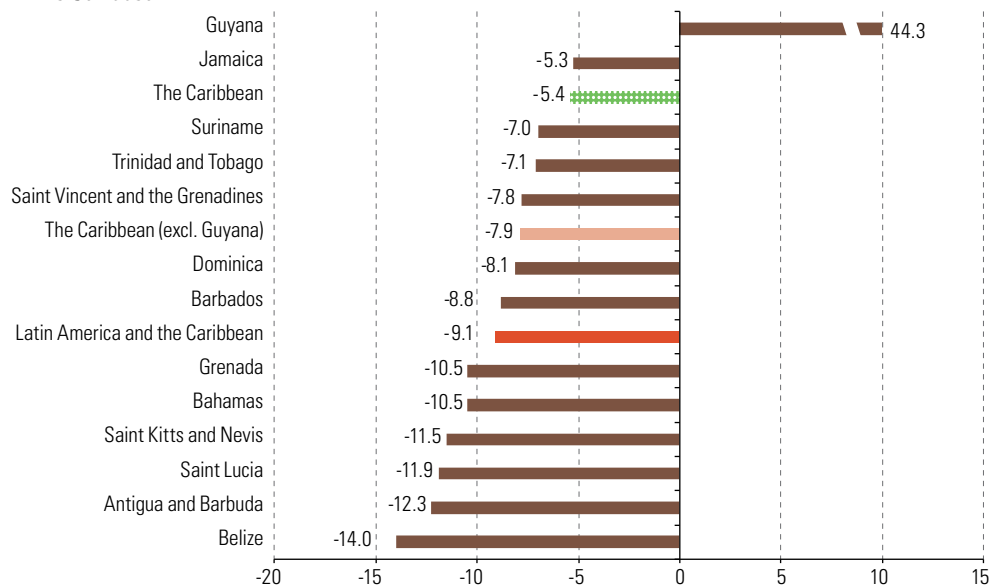
Country	Value
Guyana	44.3
Jamaica	-5.3
The Caribbean	-5.4
Suriname	-7.0
Trinidad and Tobago	-7.1
Saint Vincent and the Grenadines	-7.8
The Caribbean (excl. Guyana)	-7.9
Dominica	-8.1
Barbados	-8.8
Latin America and the Caribbean	-9.1
Grenada	-10.5
Bahamas	-10.5
Saint Kitts and Nevis	-11.5
Saint Lucia	-11.9
Antigua and Barbuda	-12.3
Belize	-14.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Central America includes Cuba, the Dominican Republic and Haiti.

2.   The internal shock

The health situation and economic impact have been different in each country. While some governments have begun to ease containment measures, others have had to maintain or even tighten them, given persistent daily increases in new cases of the disease. Health policies to contain the spread of the pandemic are interrupting economic activity and production in different sectors, and in some cases even bringing them to a halt. The activities most affected by these measures have been those services deemed non-essential, such as accommodation, restaurants, aviation, entertainment and tourism. In addition, commerce has been severely affected, with the exception of the businesses that are considered essential, such as pharmacies and supermarkets. In some countries, the construction sector has also suffered from projects being put on hold, or not started at all because of high levels of uncertainty.

General economic activity indicators have recorded sharp contractions in several countries in the second quarter. For example, May figures showed year-on-year declines of 20.6% in Argentina, 14.2% in Brazil, 15.3% in Chile, 16.7% in Colombia and 32.8% in Peru.

3.   The external shock

Global economic activity has slowed more than projected by ECLAC in April 2020, which has intensified the external shock felt by the region. In order to analyse the extent to which the international context is affecting the economic activity of the countries of the region, an external conditions index (ECI) has been constructed.

Two subregions were analysed: South America, and Central America and Mexico. The external factors that make up ECI for each set are different (see box I.3 at the end of the chapter for a summary of the methodology). In South America, for example, greater importance is attached to growth in advanced economies and in China —South America's main trading partners—, global financial conditions and the prices of the subregion's main export commodities. In Central America and Mexico, however, remittance flows, tourism services exports and the growth in the United States, the main trading partner of these countries, are more important.

The index has a strong and positive correlation with economic activity in the analysed subregions and it is therefore useful to obtain a projection of the impact of the external shock on the GDP of both groups of countries (see box I.3).

As shown in figure I.46, the relative size of each shock is different in each subregion. In South America, the external shock is set to reduce GDP growth by around 4 percentage points; however, given the stringency of the lockdown and physical distancing measures, the domestic shock is even greater than the external shock, in relative terms. In Central America and Mexico, in contrast, the external shock outweighs the domestic shock in relative terms, reducing GDP growth by 4.5 percentage points. The difference is a result of the decline in remittances, the increased importance of exports in GDP, and the greater dependence of these economies on activity in the United States.

Figure I.46
Latin America: GDP growth rate and impact of the external and domestic shocks on the rate for 2020, 2008–2020
(Four-quarter moving averages and percentages)

A. South America
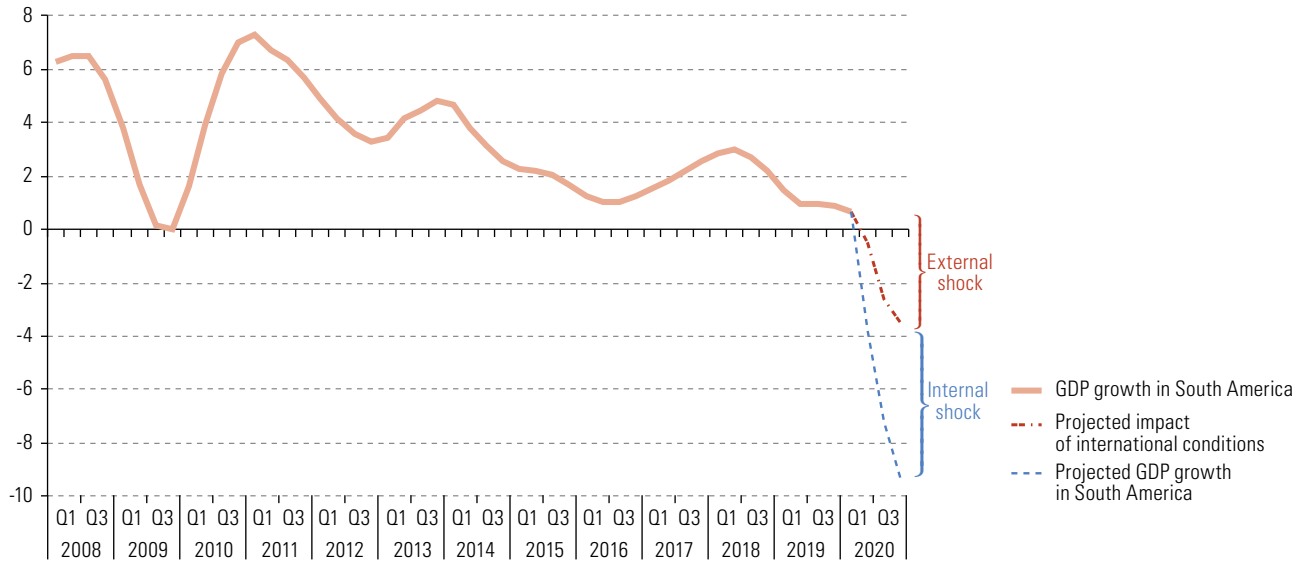
B. Central America and Mexico
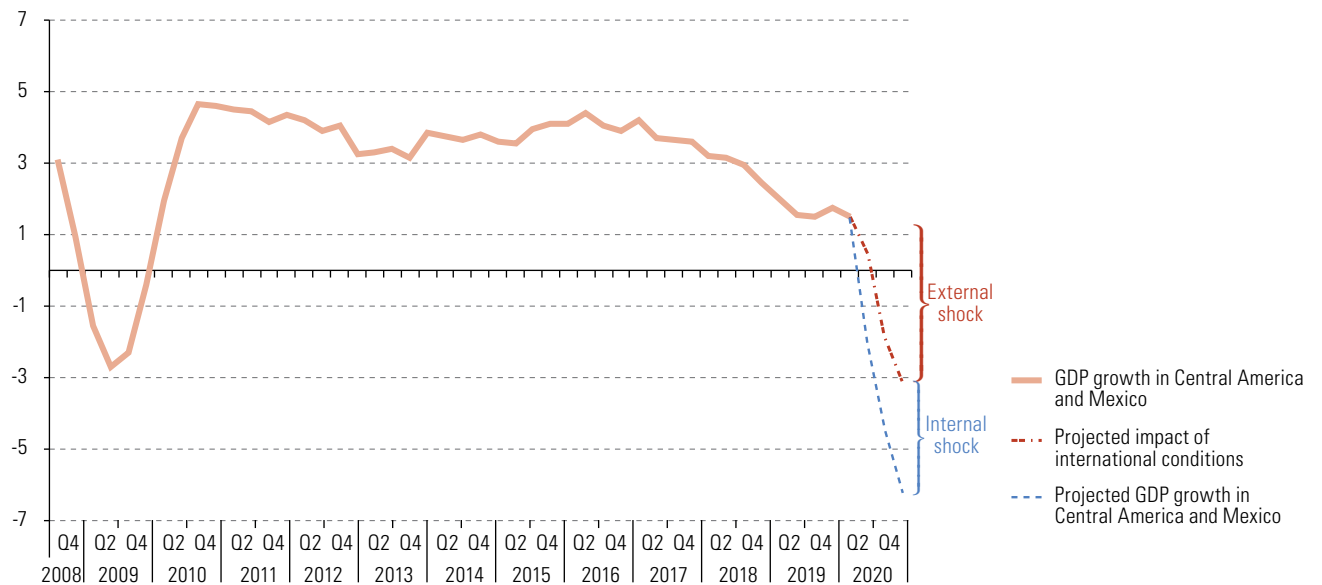
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Seasonally adjusted GDP growth rate with respect to the previous quarter, four-quarter moving averages.

4.   Components of demand

In addition to the negative impact of the international context and the paralysis of economic activity in some sectors, there have been considerable changes in the trends of expenditure components.

In each of the components of expenditure, patterns are now determined by the global COVID-19 pandemic. Unlike previous contractions, in this case most components of aggregate demand are showing negative growth rates; only imports and public expenditure are contributing to GDP growth (see figure I.47). The magnitude of the impact of the pandemic —rising unemployment, a higher the proportion of lower quality jobs and falling income— will lead to a sharp contraction in private consumption, with the expenditure component the most affected. Conversely, public expenditure will increase owing to the countercyclical policies adopted by the governments of the region, in an effort to promote a rapid economic reactivation.

Figure I.47
South America: GDP growth rates and contribution of expenditure components to growth, 2008–2020[a]
(Percentages)
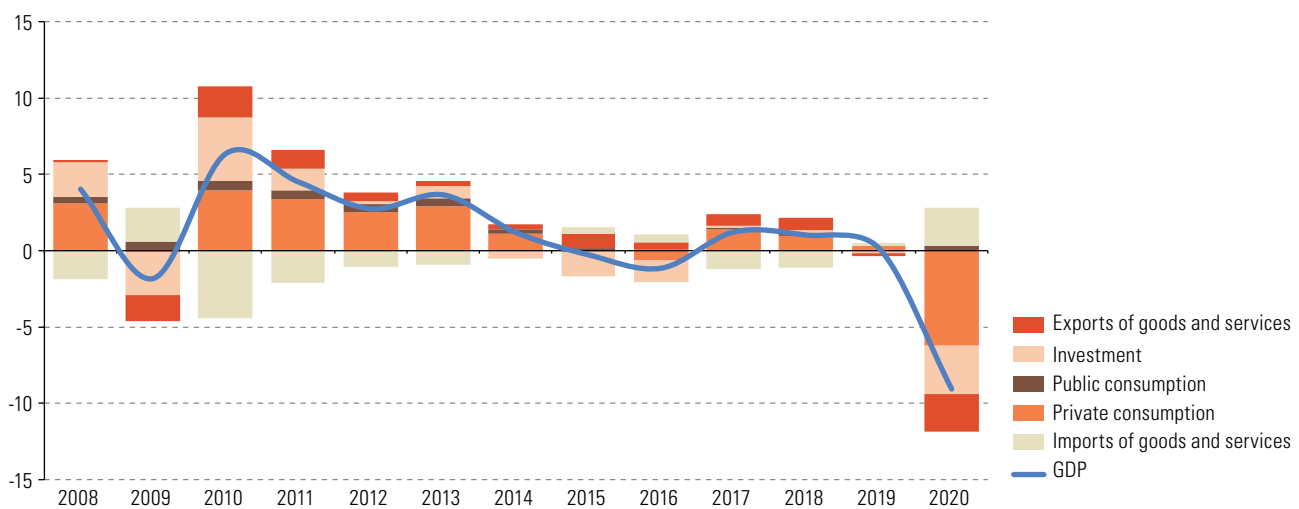
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Data for 2020 are projections.

Investment will also drop sharply, owing to both the halt in construction work because of lockdowns and the adjustments that must be made to comply with authorities' health measures in order to restart that work. In relation to investment in machinery and equipment, such assets are being used sparingly as a result of the sharp drop in economic activity. In addition, the prices of these products have risen, owing to the depreciation of local currencies, so imports of these items have contracted. Lastly, companies' need to survive short-term financing problems will mean that most investment projects that are not considered essential to business will be postponed.

Because of this steep decline in consumption and investment, domestic spending is plummeting, which in turn will lead to a considerable contraction in imports, making them the only component of spending that will contribute significantly to GDP growth. Exports' contribution will be negative because of the decline in sales across the board, on account of lower global demand for all non-essential goods and services.

Box I.3
Construction of the external conditions index (ECI)

An analysis was performed to construct a summary indicator of the external conditions faced by the countries of the region, to determine the extent to which patterns in external conditions are linked to the GDP trends of the countries. This indicator was named the external conditions index (ECI).

The ECI methodology is based on De la Torre, Pienknagura and Levy Yeyati (2013). Latin America was divided into two sets of countries: (i) South America (Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay); and (ii) Central America (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua) and Mexico. The index was constructed on the basis of three major groups of external factors, namely: (i) economic activity of trading partners; (ii) commodity price indices; and (iii) conditions on international financial markets. In the case of Central America and Mexico, a fourth factor was used: inbound remittances and tourism.

The South American (SA) ECI is defined as:

$$ECI_{SA,t} = \hat{\beta}_1 + \hat{\beta}_2 partner\_growth_{t-1} + \hat{\beta}_3 \Delta comm\_prices_t + \hat{\beta}_4 PCfinancial\_cond_{t-1} + \hat{\beta}_5 structural\_break_t \tag{1}$$

where:

- all variables are quarterly, and the model starts at t = 2003Q1 and ends at t = 2019Q4.

- *partner_growth* is the simple average of the quarterly (seasonally adjusted) GDP growth rate at constant prices of four trading partners of the subregion: China,[a] the United States, the eurozone and Japan. The model is also applied with the first principal component of these variables and the results are similar.

- Δ*comm_prices* is the simple average of changes in global commodity prices (metals, energy products and agricultural products). The model is also applied with the first principal component of these variables and the results are similar.

- *PCfinancial_cond* is the first principal component drawn from various indicators of international financial conditions (the VIX index, the VSTOXX index and the index of the spread between Baa-rated corporate bonds and 10-year United States treasury bonds).[b]

- *structural_break* is a dummy variable that controls for the possibility of a structural break in the model intercept, so that the index behaves in a stationary manner. The dummy variable has a value of 1 for the subperiod 2003Q1–2013Q2 and a value of 0 thereafter. The structural break is confirmed by the Chow test.

In the case of Central America and Mexico (CAM) the index is defined as:

$$ECI_{CAM,t} = \hat{\beta}_1 + \hat{\beta}_2 US\_growth_{t-1} + \hat{\beta}_3 \Delta remitt_t + \hat{\beta}_4 other\_part\_growth_t + \hat{\beta}_5 \Delta agri\_price_t + \hat{\beta}_6 \Delta energy\_price_{t-2} + \hat{\beta}_7 \Delta tourism_t \tag{2}$$

where:

- all variables are quarterly, and the model starts at t = 2007Q2 and ends at t = 2019Q4.

- *US_growth* is the quarterly GDP growth of the United States (seasonally adjusted) at constant prices.

- Δ*remitt* is the contemporaneous change in remittance flows to Central America. Remittances are seasonally adjusted and expressed as a percentage of quarterly trend GDP. The model is also applied with the first principal component of these variables and the results are similar.

- *other_part_growth* is the simple average of the quarterly (seasonally adjusted) GDP growth rate at constant prices of three trading partners of the subregion: China[a], the eurozone and Japan. The model is also applied with the first principal component of these variables and the results are similar.

- Δ*agri_price* is the variation in global prices of agricultural products. With a few exceptions, the countries of Central America and Mexico are net exporters of agricultural products (see figure I.46 in the section on the external shock).[c]

- Δ*energy_price* is the change in the price of energy products, one of Central America's main imports.

- Δ*tourism* is the variation in the simple average of net exports of tourism services from Central America and Mexico. Net exports are exports of tourism services minus imports of tourism services. Series are seasonally adjusted and expressed as a percentage of quarterly trend GDP.

In both equations, the β_i coefficients act as weighting factors for the different external factors in ECI and, like the constant β_1, they are obtained from an econometric estimate. For South America, the dependent variable is the average (seasonally adjusted) quarterly GDP growth rate of the subregion at constant prices *(SA_growth$_t$)* and the following model is estimated:

$$SA\_growth10_t = \beta_1 + \beta_2 \, partner\_growth_{t-1} + \beta_3 \Delta com\_prices_t + \beta_4 \, \Delta financialcond_{t-1} + \beta_5 \, structural\_break_t \, \varepsilon_t \qquad (3)$$

For Central America and Mexico, the model is:

$$CAM\_growth_t = \beta_1 + \beta_2 \, US\_growth_{t-1} + \beta\_3 \, \Delta remitt_t + \beta_4 \, other\_part\_growth_t + \beta_5 \, \Delta agri\_price_t +$$
$$\beta_6 \, \Delta energy\_price_{t-2} + \beta_7 \Delta tourism_t \, \varepsilon_t \qquad (4)$$

Equations (3) and (4) were estimated using ordinary least squares (OLS). Given the high correlation between the independent variables and the possibility of multicollinearity, the first differences of some variables were used. In addition, unit root tests were applied to ensure that all series were stationary, and the Newey-West estimator was used to overcome problems of heteroscedasticity and autocorrelation in the error terms. To ensure that the estimated coefficients did not include effects from national factors that are not included in the models, estimates were made controlling for a set of national factors (such as unemployment). It was concluded that the coefficients were robust to the inclusion of national factors.[d]

Lastly, the estimated coefficients were used to construct the index for each subregion (see equations (1) and (2)). In both subregions external conditions have a strong influence on economic growth; the correlation between GDP growth and ECI is 0.82 in South America and 0.80 in Central America and Mexico. In addition, external conditions may explain between 60% and 65% of the variation in average quarterly growth in both subregions. In other words, it can be concluded that the region is highly exposed to external conditions and that the external impact of the global pandemic will significantly affect the region's growth.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of A. de la Torre, S. Pienknagura and E. Levy Yeyati, "Latin America and the Caribbean as tailwinds recede: in search of higher growth, LAC Semiannual Report, April 2013," World Bank Other Operational Studies, No. 13266, World Bank, 2013.

[a] For China, seasonally adjusted industrial production growth is used.

[b] The principal components were obtained by standardizing the variables, and the first principal component of financial conditions explained much of the variance (85%) of the variables.

[c] The Dominican Republic, El Salvador, and Mexico are net importers of agricultural products, although in the case of Mexico and relative to GDP to a negligible extent.

[d] In both estimated equations, the coefficients had the expected signs and were largely highly significant. In equation (3): $\hat{\beta}_1 = 0.27$, $\hat{\beta}_2 = 0.40$, $\hat{\beta}_3 = 0.02$ and $\hat{\beta}_4 = -0.13$, $\hat{\beta}_5 = 0.44$, and all significant at 5%. In equation (4): $\hat{\beta}_1 = 0{,}26$, $\hat{\beta}_2 = 0{,}44$, $\hat{\beta}_3 = 0{,}10$ and $\hat{\beta}_4 = 0{,}35$, $\hat{\beta}_5 = 0{,}04$, $\hat{\beta}_6 = -0.008$, $\hat{\beta}_7 = 0.25$ and all significant at 5%, except the coefficients of $\Delta energy\_price_{t-2}$ and $\Delta tourism_t$. However, since an F-test showed that the set of variables is highly significant, a decision was made not to exclude any coefficient from the equation.

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Main conditioning factors of fiscal and monetary policies in the post-COVID-19 era

Introduction

The second chapter of this edition of the *Economic Study* is divided into three sections. The first describes the environment of greater financial vulnerability in which the world and the region will find themselves once the coronavirus disease (COVID-19) pandemic has abated, as well as the financial scenario in which the eventual global and regional economic recovery is expected to take place. The crisis unleashed by the COVID-19 pandemic erupted in a global economy characterized by record levels of debt, which had reached over 320% of global GDP by the end of 2019. The effects of the COVID-19 crisis on global liquidity, coupled with the fiscal packages implemented by governments, will fuel further borrowing in the world economy.

In turn, debt is accumulating at a time when both non-financial corporations and the financial sector are vulnerable. In the case of non-financial corporations, the short-term share of the total debt is growing, the credit portfolio is deteriorating, and there is increasing currency mismatch (in the case of emerging economies). The financial system is also displaying signs of vulnerability, despite being bolstered by the measures and regulations implemented in the wake of the global financial crisis. In particular, it is facing substantial reductions in profitability which, in conjunction with diminished incomes, could lead to credit and liquidity constraints. The non-banking financial system, which has become more prominent since the global financial crisis, is also facing declining incomes, and this has led it to pursue higher-risk credit profiles. At the same time, concentration levels have increased in the asset management industry, which is part of the non-bank financial sector, thereby bringing back into focus the problems that institutions considered too big to fail can pose for systemic risk. This backdrop of accumulating debt accompanied by increased financial vulnerability is one of the factors that will condition the potential recovery of the post-COVID-19 global economy.

Like the 2008–2009 financial crisis, the COVID 19 pandemic has highlighted the importance of fiscal policy. The second section details the key role that the considerable government intervention in the form of major fiscal packages have played in mitigating the social and economic consequences of the pandemic. The efforts made by the State to tackle and overcome the pandemic and the ensuing humanitarian, social and economic crisis have been underpinned by an expansionary fiscal policy, which will need to be sustained over time to make the economic recovery and the reconstruction of more inclusive, egalitarian and resilient societies viable.

The main fiscal policy challenges in the post-pandemic period will be to build welfare states, strengthen productive development and implement policies that foster environmental sustainability. Fiscal austerity is therefore not an adequate response to the fiscal challenges they face. The region must seize this opportunity to realign its development path, in accordance with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development.

In order to pursue an expansionary fiscal policy within a fiscal sustainability framework, strategies must be adopted that expand the fiscal space by mobilizing both domestic and external resources. At the national level, there is room to enhance the State's revenue-raising capacity —which is low and skewed by regressive indirect taxes— by bolstering income tax, property taxes and taxation of the digital economy, as well as corrective taxes related to the environment and public health. There is, likewise, room to reduce revenue losses caused, for instance, by tax evasion and tax expenditures. At the same time, given the importance of expenditure policy as a development tool, it is important to enhance the efficiency, effectiveness and equity of public intervention in

order to guarantee that the resources mobilized are channelled towards public policies that reduce inequality and foster growth.

Such efforts at the national level should be supplemented by more vigorous mobilization of external resources, through access to sources of financing on more favourable terms, be it on international markets or through international financial institutions. International cooperation will play a fundamental role in coordinating the various parties involved so that those efforts are more effective.

Lastly, the third section focuses on monetary and exchange rate policies and macroprudential regulations and examines the constraints faced by policymakers in the region in implementing them. An important message that emerges from this section is that, in the face of a crisis of historic proportions such as the current COVID-19 crisis, policymakers have chosen to implement a combination of policies that include conventional and unconventional measures to sustain aggregate demand.

This section also shows how, in the interest of maintaining macrofinancial stability, the economic authorities have shown greater flexibility to reduce the possibility that the pandemic-induced crisis and its consequences could compromise the sustainability of the financial system of the region's economies. Using the knowledge accumulated within and outside the region, the entities responsible for financial oversight have adjusted the rules to prevent possible liquidity problems and the ensuing deterioration of the credit portfolio from becoming a situation that compromises the sustainability of the credit system and the health of financial institutions.

The importance of international cooperation in the response to the crisis and in the post-pandemic period is highlighted throughout the chapter. The region must support the expansion of policy spaces available to the authorities of the region, but it is also important to strengthen the institutions that make up the international financial architecture to enable individual actions to be effectively coordinated, with a view to achieving a better global balance.

A.   Uncertain recovery of the global economy in the midst of accumulating debt and financial fragility

Introduction

The crisis unleashed by the coronavirus disease (COVID-19) pandemic erupted in a global economy characterized by burgeoning debt both regionwide and in the various institutional sectors. Prior to the pandemic, global debt had posted an all-time high at 320% of world GDP, which rose to 331% in the first quarter of 2020. The effects of the COVID-19 crisis on global income and liquidity, coupled with the fiscal packages implemented by governments, will fuel further borrowing in the world economy. Debt is accumulating at a time when both non-financial corporations and the financial sector are vulnerable.

In the case of non-financial corporations, the short-term share of the total debt is growing, the credit portfolio is deteriorating, and there is increasing currency mismatch in emerging economies. The increase in short-term debt makes this sector more vulnerable to changes in financing conditions and dips in aggregate demand; and the effects of this greater short-term dependency are aggravated by the lower level of liquidity available to the sector.

The deterioration of the credit portfolio makes these corporations more vulnerable to changes in credit ratings and to potential bankruptcy situations; and it is also compounded by the fact that debt is being issued at longer maturities. This makes firms more sensitive to changes in monetary policy. Currency mismatch in emerging economies has the same effect, while also giving the exchange rate a key role in the mechanism that transmits monetary and financial shocks from developed economies to emerging and developing ones.

The financial system is also displaying signs of vulnerability, despite being bolstered by the measures and regulations implemented in the wake of the global financial crisis. In particular, it is facing substantial reductions in profitability which, in conjunction with diminished incomes, could lead to credit and liquidity constraints. The non-banking system, which has become more prominent since the global financial crisis, is also facing declining income, and this has led it to pursue higher-risk credit profiles. At the same time, concentration levels have increased in the asset management industry, which is part of the non-bank financial sector, thereby bringing back into focus the problems that institutions considered "too big to fail" can pose for systemic risk.

This backdrop of accumulating debt accompanied by increased financial vulnerability is one of the factors that will determine the potential recovery of the post-COVID-19 global economy.

The available data show that the start of the recovery will be uneven, as not all countries are yet in the phase of flattening the contagion curve. Over time, the lifting of physical distancing and other social measures adopted to contain the pandemic will boost global economic growth. However, an analysis of the drivers of aggregate demand and their role in a possible revival shows that the boost to aggregate demand will be insufficient to regain the pre-COVID levels of per capita GDP, in the current context.

This chapter is divided into six sections. Sections 1 and 2 describe how debt has accumulated in the pre- and post-pandemic periods. Sections 3 and 4 discuss financial vulnerability in the non-financial corporate sector and in the financial system,

highlighting its implications for global economic growth. Sections 5 and 6 analyse potential scenarios for the start of the recovery and the profiles any recovery could adopt. In particular, section 6 focuses on the interaction between aggregate demand, debt and financial vulnerability.

1.   Global debt has been trending upwards

Burgeoning debt worldwide has been one of the key features of the world economy in the period following the global financial crisis (2008–2009) and leading up to the COVID-19 crisis. By late 2019, total global debt exceeded US$ 255 trillion, equivalent to 320% of world GDP, and in the first quarter of 2020, it had reached 331% of GDP (IIF, 2020c).The available data show that between 2007 —the year before the onset of the global financial crisis— and 2019, total global debt increased by US$ 93 trillion (see figure II.1).

Figure II.1
Global economy: trend of debt by economic sector, 1997–2019
(Trillions of dollars)
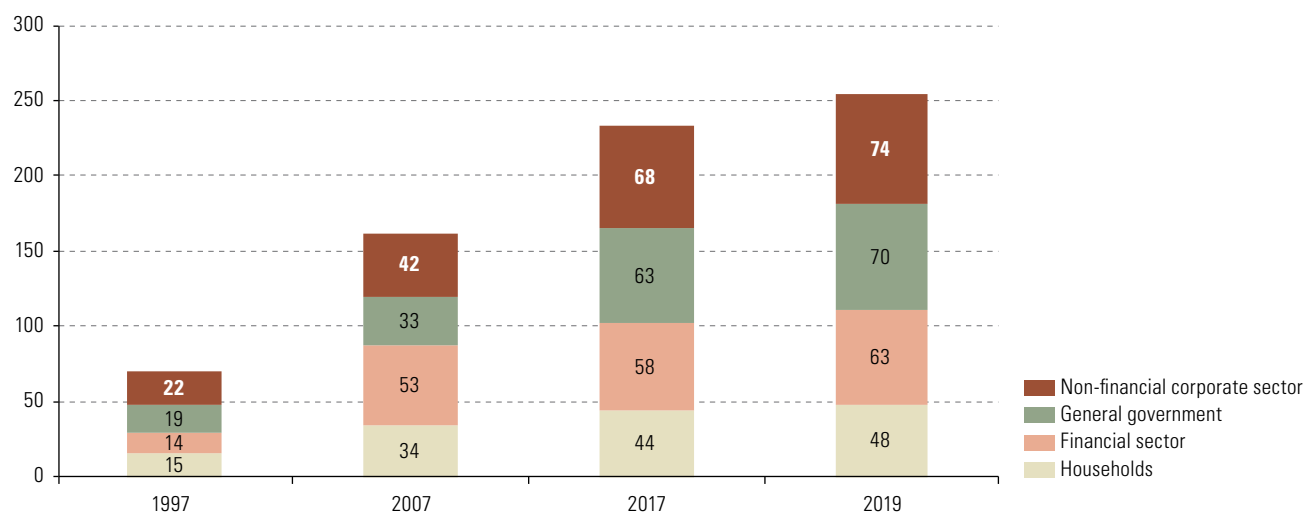
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Institute of International Finance (IIF), "Global Debt Monitor. COVID-19 Lights a Fuse", 6 April 2020 [online] https://www.iif.com/Portals/0/Files/content/Research/Global%20Debt%20Monitor_April2020.pdf and ECLAC, *Economic Survey of Latin America and the Caribbean*, 2019 (LC/PUB.2019/12-P), Santiago 2019.

While this period has witnessed the highest rates of debt accumulation and the highest growth rates since the 1970s, the phenomenon has also been widespread —affecting developed as well as emerging and developing economies and all economic sectors (Kose and others, 2020).

In late 2019, the developed economies accounted for 72.3% of the world's total debt.The United States had the largest individual share both globally (31.0%) and among developed countries (43.0%), followed by the European countries (18.6% of global and 25.7% of developed country debt) and then Japan (17.0% and 23.5%), respectively.[1]

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[1]   The United Kingdom and Canada accounted for 3.5% and 2.2% of the total global debt in 2019.

In the case of the emerging and developing economies, the debt is concentrated in the Asian countries, more specifically, in China (35.3% of the debt of this group of economies and 9.8% of total global debt) and in India (9.7% and 2.7%, respectively), and also in Brazil (8.7% and 2.4%). The total debt of the Latin American and Caribbean countries jointly accounted for 16.6% of emerging and developing economy debt and 4.4% of total global debt. These economies have some of the highest debt/GDP ratios in the world.[2]

The rise in debt levels is widespread across all sectors of economic activity, but is most pronounced in the production and government sectors. This represents a major shift in the sectoral distribution of debt, which had been concentrated in the financial sector prior to the global financial crisis (see figure II.1).

In 2019, the non-financial corporate sector was the most heavily indebted, at US$ 74.2 trillion (29% of the total), followed by general government, which accounted for US$ 70.0 trillion (27% of the total). Financial sector and household debt are estimated at US$ 63.1 trillion and US$ 48.0 trillion, respectively (representing 24.7% and 18.9% of the total).

A sector-level analysis shows that general government debt is the largest and fastest growing component of total debt in developed economies (28.8% of the total in 2019), whereas both household and financial-sector debt have declined. Financial-sector leverage is currently lower than before the global financial crisis.[3]

Although the debt of the non-financial corporate sector (23.9% of the total in 2019) has grown, it has generally done so at a moderate rate. The United States represents a major exception, where non-financial corporate-sector debt surged to attain record levels following the global financial crisis. The available data show that, between the second quarter of 2010 and the fourth quarter of 2019, the non-financial corporate sector debt/equity ratio rose from 62% to 119% (Federal Reserve Bank of St. Louis, 2020).

This exception is important because of the weight of the United States non-financial corporate sector in the global economy. According to 2017 data, in a sample of 22 sectors (including food, energy, transportation, electronics, pharmaceuticals and chemicals), nearly half of the leading firms, with an average global market share of 43%, were from the United States (Nalin, 2017).

In the emerging and developing economies as a whole, 42.0% of the total debt was concentrated in the non-financial corporate sector in the fourth quarter of 2019, and 23.9% was owed by the government sector.

2.   COVID-19 and the policy responses to its effects have reinforced the rising debt trend

The effects of the COVID-19 pandemic and the policies deployed to deal with it will have repercussions on the level of global debt, further fuelling its rising trend and altering its composition. The higher level of debt will be even more notable as a proportion of GDP given the severe economic contraction expected in 2020.[4]

At the same time, the health crisis will affect the sectoral composition of the overall debt. Available information, both for developed countries and for emerging and developing economies, suggests that the debt will grow by most in the central government, non-financial corporate and, to a lesser extent, household sectors.

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[2]   According to the available data, the countries and territories most heavily indebted relative to GDP in late 2019 included the following: Hong Kong Special Administrative Region of China (374.7% of GDP), Lebanon (306.7%), Singapore (296.7%), China (258.3%), Chile (242.3%), Republic of Korea (239.5%), Brazil (203.3%), Malaysia (190.4%), Israel (181.1%) and Hungary (170.4%).

[3]   According to data spanning 2001–2018 for 35 OECD countries, leverage (measured as the ratio of selected financial assets to equity) rose from 10.9 in 2001 to 19.5 in 2008, before slipping back to 12.4 in 2018 (OECD, 2020a).

[4]   See section I.A of this report, on the international context.

Thus far, the financial sector has not recorded high levels of indebtedness, despite its declining profitability. This is partly explained by the regulatory adjustments and changes it underwent following the global financial crisis, which encouraged vigorous deleveraging in this sector.[5]

Central government debt will increase because of lower tax revenues resulting from the expected contraction in economic activity, and a narrower tax base due, partly, to tax relief measures (see section II.A.6). In addition, measures to address the effects of the pandemic have also fuelled a significant increase in government spending. The fiscal response to the crisis is estimated at over US$ 9 trillion worldwide (IMF, 2020).

In the case of the United States, the record increase in the deficit expected for 2020 (18.7% of GDP) will raise general government debt from 80% of GDP prior to the pandemic to over 100% in 2020 (Committee for a Responsible Budget, 2020). Similarly, all eurozone countries are expected to see their sovereign debt grow between 2019 and 2020 (see figure II.2); and public debt in the eurozone as a whole is forecast to rise from 86% to 103% of GDP between 2019 and 2020.[6]

Figure II.2
Eurozone: sovereign debt, 2019 and 2020
(Percentage of GDP)
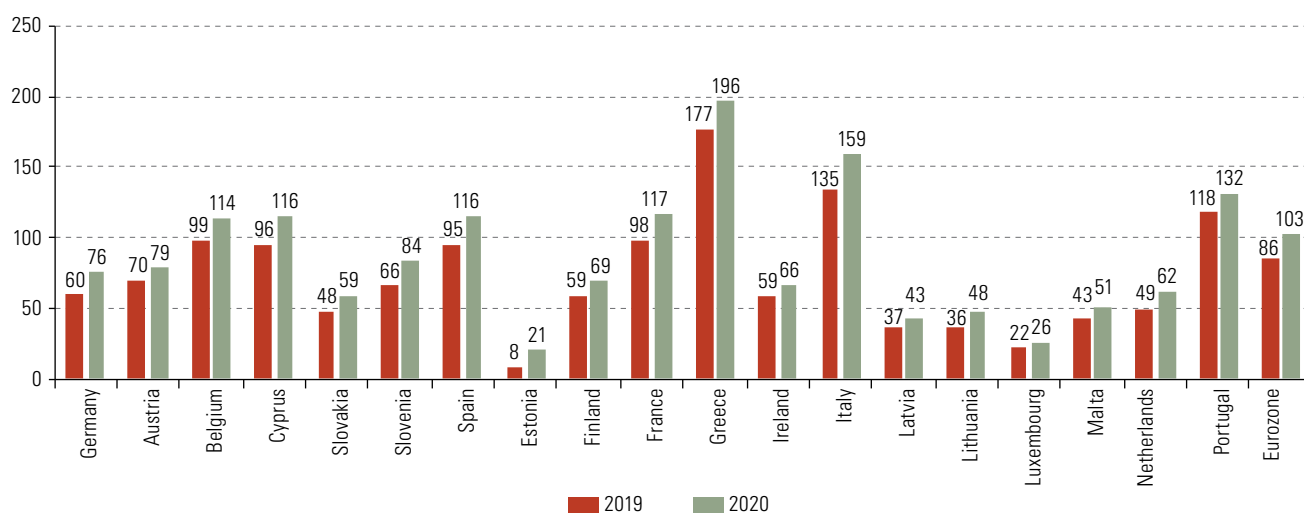
Source: European Central Bank (ECB), *Financial Stability Review*, Brussels, May 2020.

The increase in general government debt could have a significant effect on the global debt level. According to the Institute of International Finance (IIF, 2020), if COVID-19 causes the net debt of general government to double from its 2019 level, and global economic activity contracts by 5.2% (the same in nominal terms, given near-zero inflation), then the global debt stock would grow from 322% of GDP to over 342% in 2020.

The non-financial corporate sector will be affected by a sharp contraction in economic activity and a consequent reduction in income, in addition to an increase in the credit required to meet its financing needs. These factors could be compounded by the tight

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[5]   ECLAC (2019) highlights three initiatives implemented to regulate the banking system in the wake of the global financial crisis. The first consists of steps to increase the capital requirements of financial institutions, contained in the Basel III (2010) accords. The second initiative, led by the Financial Stability Board (FSB, 2011), includes the design of a methodology to classify and monitor banks deemed to be of global systemic importance and, hence, greater capacity to generate contagion in financial markets worldwide. The third initiative, and perhaps the one with the widest regulatory perimeter in terms of agents and instruments, is the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States (2010).

[6]   Between 2019 and 2020 the eurozone deficit is expected to widen from 0.6% to 8.5% of GDP (European Commission, 2020).

liquidity margins that characterized the non-financial corporate sector as a whole prior to the pandemic, both in developed economies and in emerging and developing ones.

An analysis of a sample of 40,000 firms in 26 countries in the developed and developing world shows that, in late 2019, a quarter of these firms had a net liquid asset position that would not enable them to cover their debt obligations maturing in 2020.[7]

The analysis also shows that if incomes were to decline by 25% in 2020, debt service and operating costs would exceed liquidity buffers in 50% of the cases considered. Lastly, the study shows that the income-elasticity of expenditure is generally low (0.6 on average for the set of firms analysed). This underscores the difficulty of lowering the cost of production in the face of a fall in income (Banerjee and others, 2020). A similar conclusion is drawn from an analysis by region. In the eurozone, a quarter of all registered firms do not have a sufficient liquidity cushion to cover two months of their payment obligations (ECB, 2020).

While this situation will result in higher debt, it will also increase the risk of default in a sector where, in the United States for example, leverage is very high. In fact, in that country, the leverage of the non-financial corporate sector was at a peak in early 2020 (Bräuning and Wang, 2020).

In the United States, the non-financial corporate sector issued more than US$ 1 trillion in debt instruments between January and May 2020, equivalent to the total amount issued in the whole of the previous year. Moreover, the combination of low interest rates and the Federal Reserve bailout, which consists of unlimited debt purchases, including both investment-grade corporate debt and junk bonds, are fuelling this borrowing process.[8]

The performance of the non-financial corporate sector in the eurozone is similar: 83.2 billion euros of debt issued in April 2020 (the largest monthly issuance since 2009). This source was complemented by credit lines and overdrafts (totalling 120 billion euros in March 2020). Between December 2019 and March 2020, total lending to the non-financial corporate sector increased from 540 billion euros to 570 billion euros (Euro-Phoenix, 2020).

3. Debt is accumulating at a time when the non-financial corporate sector is financially vulnerable

The global debt expansion is backdropped by financial vulnerability in the non-financial corporate sector. This can be seen in the growing short-term share of the total debt, an increase in the volume of debt instruments reaching maturity, the deterioration of the asset portfolio and, in the case of emerging economies, increasing currency mismatch.

Firstly, the stock of corporate bonds issued by the non-financial corporate sector has grown at record rates, accompanied by an increase in corporate bond repayments falling due in the short term. The total stock of non-financial corporate bonds worldwide attained US$ 13.5 trillion in December 2019, more than double the amount issued in the same month in 2008 (US$ 6.7 trillion).

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[7]   The countries and territories included in the sample are Austria, Belgium, Canada, Denmark, France, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States (advanced economies); and Argentina, Brazil, China, Hong Kong (Special Administrative Region of China), India, Indonesia, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Singapore and Turkey (emerging and developing economies).

[8]   The Federal Reserve's policies have given a significant boost to capital market values. Firstly, low interest rates have reduced borrowing costs, while the rise in the present value of bonds has boosted capital gains. Secondly, these policies have reduced the risk premium on bonds. The period spanning January–May of this year saw the largest bond sale since 2009, estimated at US$ 1 trillion (Smith and Torres, 2020).

The bulk of this volume (78% of the total) corresponds to the advanced economies, while the remainder was issued by emerging and developing ones. However, the corporate sector of the latter group has also significantly increased its stock of bonds (from US$ 500 billion in 2018 to US$ 3 trillion in 2019). More than half the value of this stock is held by China (Çelik, Demirtas and Isaksson, 2020).

The growth in debt has been accompanied by an increase in the short-term share. Between 2008 and 2019, the volume of bonds to be refinanced within three years grew from 26% to 33% of the total. From a broader historical perspective, this represents the highest percentage of debt maturing in the short term since 2000 (Çelik, Demirtas and Isaksson, 2020).

This phenomenon is particularly acute in the United States, where the non-financial corporate sector is of strategic importance worldwide. The gross debt of that country's non-financial corporate sector, maturing in one year or less, increased from 17.7% to 21.8% of GDP and from 27.5% to 29.9% of total debt in this sector between the fourth quarter of 2011 and 2019 (see figure II.3).

Figure II.3
United States: gross non-financial-corporation debt maturing in one year or less, Q1 2010 to Q4 2019
(Percentage of GDP and total debt)
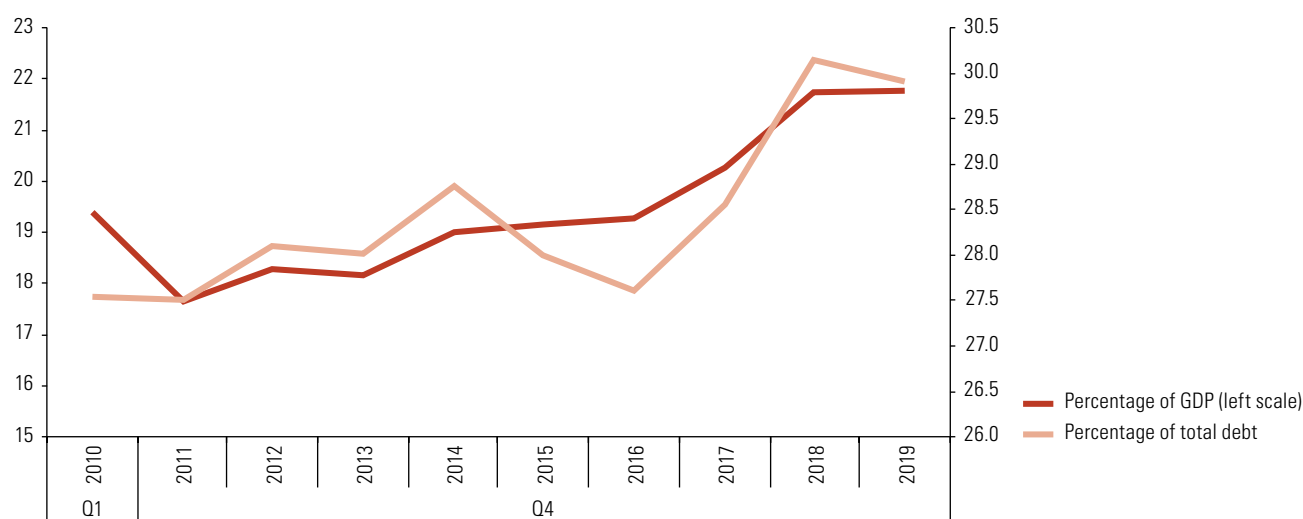
Source: Organization for Economic Cooperation and Development (OECD), "Non-consolidated financial balance sheets by economic sector (Quarterly table 0720)", 2020 [online] https://stats.oecd.org/Index.aspx?DataSetCode=QASA_TABLE720.

Similarly, the supply of credit to eurozone firms peaked in March 2020, with about half maturing in one year or less. Moreover, refinancing needs are occurring in sectors such as services (hotels and restaurants), transport and commerce, which are highly sensitive to physical distancing and other social measures adopted to contain the pandemic.

Secondly, the credit portfolio of the non-financial corporate sector is deteriorating. The portfolio is essentially divided into two categories: investment grade and non-investment grade. The difference is that the first category is associated with a lower probability of default on debt service obligations. The deterioration of the portfolio is reflected in how it is distributed between the two categories, with a growing share of lower-investment-grade or non-investment-grade debt.

In 2000–2019, the proportion of lower-investment-grade debt, which could degrade to non-investment grade if financing conditions were to change, rose from about 27% to 41% of the total (see figure II.4). A similar phenomenon can be discerned at the global level in this sector. According to Çelik, Demirtasand Isaksson (2020), 52% of the issuance of investment-grade bonds have had a BBB rating over the past three years.

Non-investment grade
(33.9)

Investment grade
(25.0)

BBB investment grade
(41.0)
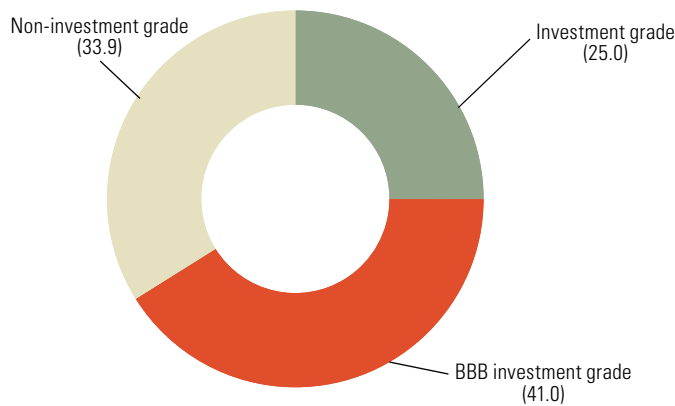
Figure II.4
United States: loan portfolio classified by quality, 2019
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S&P Global, "U.S. Corporate Debt Market: The State of Play in 2019", 2019 [online] https://www.spglobal.com/en/research-insights/articles/u-s-corporate-debt-market-the-state-of-play-in-2019.

The deterioration of the loan portfolio is compounded by heightened sensitivity to changes in interest rates and monetary policy, since long-term debt has been issued at longer maturities. On average, between 2000 and 2019, the maturity term of an investment-grade bond has lengthened from 9.4 to 13 years.

In the case of emerging and developing economies, the increased sensitivity to changes in monetary policy operates not only through the direct interest-rate channel of the bond price, but also through the exchange rate. The latter is one of the key mechanisms for transmitting business-cycle shocks from developed economies to emerging and developing ones.

The exchange-rate channel is particularly relevant for the non-financial corporate sector in emerging and developing economies, as their financial position is characterized by foreign-currency liabilities that are usually less-than-fully covered by foreign-currency assets (Borio, 2019). This means that a nominal exchange-rate depreciation, such as those that have occurred following the financial outflows from emerging economies resulting from the COVID-19 crisis, adds to debt service costs and increases the debt burden, thereby heightening credit risk. This effect can generate further pressure for financial outflows, by tightening financing conditions. In addition, if firms in a mismatch situation purchase foreign currency to meet their foreign exchange liabilities, the increased demand for foreign currency could cause a further depreciation of the exchange rate. This could then fuel further capital outflows and also increase the debt burden (ECLAC, 2016).

Data for a range of countries in different developing regions suggest that currency mismatches have become more accentuated since the global financial crisis. Table II.1 shows the 2007–2014 trend of net foreign-currency assets relative to exports in the private corporate sector, for 12 selected emerging and developing economies. In most cases, the indicator of foreign currency mismatch has trended up, owing to the behaviour of the non-financial corporate sector (Chui, Kuruc and Turner, 2018).

Table II.1
Selected emerging and developing economies (12 countries): net foreign-currency assets of the private corporate sector as a share of exports, 2007–2014
(Percentages)

	2007	2008	2009	2010	2011	2012	2013	2014
Brazil	-43.3	-37.0	-45.6	-54.4	-60.2	-72.2	-64.1	-74.6
Chile	-20.6	-34.6	-51.8	-44.8	-43.8	-47.1	-48.5	-58.7
Hungary	-30.7	-40.1	-48.9	-34.4	-26.3	-26.3	-22.6	-16.9
India	-15.3	-16.5	-18.4	-18.2	-16.1	-19.1	-19.5	-18.6
Indonesia	-12.6	-7.9	-4.9	-8.7	-14.5	-23.1	-31.3	-41.1
Malaysia	-8.0	-12.7	-14.5	-8.0	-7.9	-5.1	-10.8	-8.7
Mexico	-10.3	-9.7	-15.1	-18.0	-18.9	-21.3	-27.4	-30.3
Philippines	-0.7	-2.9	-1.4	-11.5	-15.8	-23.5	-25.5	-16.3
Poland	-14.4	-27.6	-42.0	-38.5	-31.2	-30.6	-28.6	-22.7
Russia	-37.2	-16.0	-8.1	-5.5	-1.3	-2.1	-5.7	1.5
Thailand	8.7	1.6	-1.6	-4.9	-1.7	-6.7	-7.9	-4.0
Turkey	-41.8	-37.7	-46.1	-64.4	-60.5	-67.9	-86.9	-91.4

Source: M. Chui, E. Kuruc and Ph. Turner, "A new dimension to currency mismatches in the emerging markets: non-financial companies", *BIS Working Paper,* No. 550, 2016.

4.   Burgeoning debt is backdropped by heightened financial-sector vulnerability

Debt is accumulating not only while the non-financial corporate sector is fragile, but also at a time when the financial system is increasingly vulnerable. One vulnerability factor stems from the growing presence of the asset management industry, which is highly concentrated and also interconnected with the global banking industry. The concentration and interconnectivity of the financial system were key factors in the origin and spread of the global financial crisis.

The COVID-19 crisis has accentuated the importance of the asset management industry. Not only has it become the fiduciary agent of the United States Federal Reserve for the purchase of private sector securities —which can generate significant conflicts of interest— but it also holds a large share of developing-country sovereign debt and has a major stake in the real and financial sectors of several developed economies. With assets of over US$ 6 trillion —more than any international bank—, as is the case with the company BlackRock, some of these institutions are putting the issue of the systemic risks posed by financial institutions considered "too large to fail" back on the agenda.

The above is compounded by the declining profitability of the banking system, both in the United States, but particularly in Europe. In the eurozone, this decrease in profitability is partly attributable to structural factors (low levels of efficiency and excess capacity in the banking system); but it is also largely due to a monetary policy of very low interest rates that compresses net interest income, which in the eurozone represents 60% of the total operating income of the largest banks.

Moreover, owing to the COVID-19 crisis, diminishing expectations for corporate earnings and, consequently, for the demand for loans, eventually depress expectations for bank profitability (see figure II.5). The dynamics of corporate income and bank profitability, and their interaction, can generate a downward credit cycle. Less demand for loans combines with reduced supply, thereby reducing aggregate demand and tightening liquidity.

Figure II.5
Eurozone: expectations for the return on assets and corporate earnings growth, January 2019 to May 2020
(Percentages)
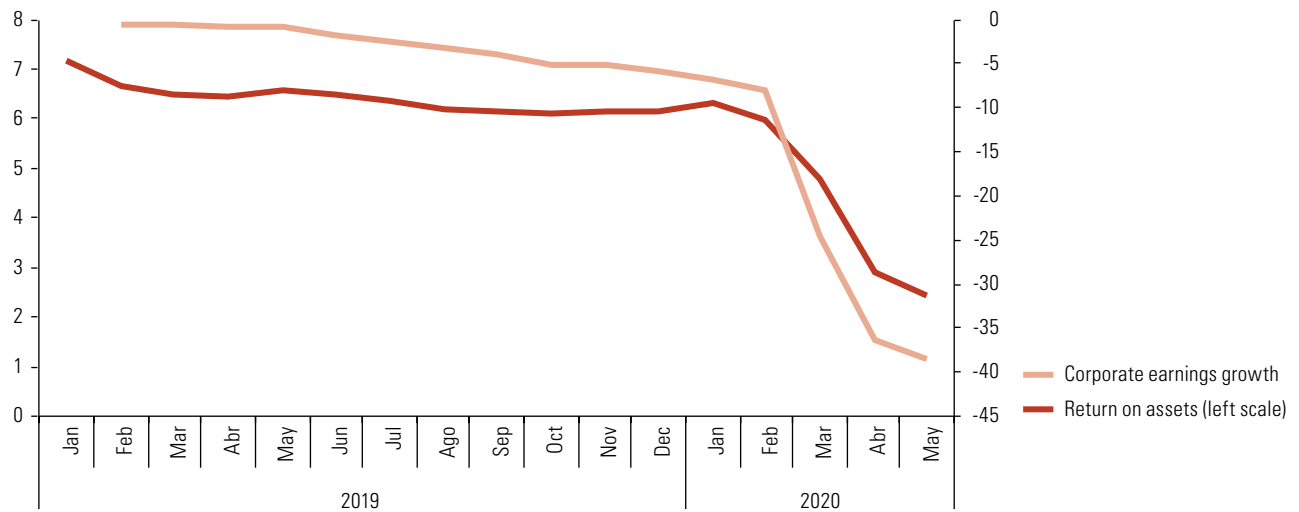
While the decline in profitability affects the banking system, it is also being felt in the non-bank financial sector (investment funds, money market funds, pension fund managers and insurance companies, among others), since income in this sector depends partly on negative-yielding government bonds. Between December 2018 and June 2019, holdings of non-bank bonds with negative yields have doubled to represent, on average, 26% of these institutions' bond portfolio. The decrease in profitability forces the non-bank financial sector to take on greater risk in its investments and shift towards securities with longer maturities, thereby making securities more sensitive to changes in monetary conditions.

5. Disparities in the timing of recovery in different countries will influence the speed and profile of the economic recovery worldwide

Prospective studies on the evolution of the global economy point to a 5.2% contraction in global economic activity in 2020.[9] Although this expectation is widely held, there is a high degree of uncertainty as to the date on which economic recovery will start. This will depend on the lifting of the social measures adopted to contain the pandemic, and also on the specific path that any recovery will follow.[10]

The data available thus far show the pandemic spreading heterogeneously in the different countries and regions. This suggests that the onset of recovery will be very uneven, which will impact the global economy. The net effect will depend on whether countries that are starting to recover will have greater capacity to fuel global aggregate demand than those that have not yet started their recovery process.

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[9]　The United States economy is expected to contract by 5.7% in 2020, and the European Union economy is set to shrink by 7.2%. See section I.A of this report, on the international context.

[10]　The lifting of the social measures adopted to contain the pandemic depends on how the virus spreads among the population. To contain an epidemic, the rate of growth in the number of individuals recovering must exceed the rate of growth of those infected; and the fraction of the population susceptible to the disease must be reduced.

Although some countries have started to reopen their economy, the extent to which they will be able to proceed with this in the future is clearly uncertain; in other countries, the process of reopening has not yet begun. The data show a flattening of the infection curve since April in eight of the European countries most affected by the pandemic —Belgium, France, Ireland, Italy, the Netherlands, Spain, Switzerland and the United Kingdom—, thus laying the foundations for launching the economic recovery process (Johns Hopkins University & Medicine, 2020).

In contrast, in the United States as a whole, the infection curve is not yet flattening. The available figures, which report the number of daily infections dropping from 33,000 to 24,000 between mid-April and the end of May 2020, are explained by the evolution of the pandemic in just two states: New York and New Jersey. Thereafter, daily reported cases increased to over 70,000 in July and currently stand at around 45,000. Lastly, in some of the emerging and developing economies —such as those of Latin America and the Caribbean, Russia and a number of Asian countries— the infection curve is still rising. As at 10 September, the countries with the highest rates of daily confirmed new cases were Argentina, Brazil, Colombia, Ecuador, India, Mexico, Peru, the Plurinational State of Bolivia, South Africa and the United States (Johns Hopkins University & Medicine, 2020).

This disparity in the timing of the start of recovery is one of the factors that will influence the pace and profile of the global economic recovery. Nonetheless, the lifting of physical distancing and other social measures adopted to contain the pandemic will have a positive effect on economic growth, as it will enable a resumption of the production and distribution of goods and services, which had been interrupted by the crisis. However, this does not guarantee that economies will return to their pre-pandemic levels of GDP and GDP per capita.

6. The path of recovery of the global economy will also depend on the dynamic of aggregate demand and its interaction with debt that is accumulating in a context of financial fragility

The most significant immediate effect of the pandemic is the contraction of economic activity caused by the lockdown policies, which entail reducing and interrupting the production and distribution of goods and services. The resulting increase in unemployment and reduced working hours, accompanied by a reduction in payroll and incomes, undermines consumption and aggregate demand for goods and services and erodes profits. Since most enterprises finance investments mainly through retained earnings, gross capital formation also suffers.

The increase in household debt (owing to payment arrears) and the accumulation of debt by the non-financial corporate sector could accentuate the slump in aggregate demand and hence in income.

In this situation, the cumulative effect of the loss of incomes can only be avoided by maintaining economic activity and preventing a fall in aggregate demand; and the most direct way to maintain aggregate demand is to sustain consumption, since this is the variable that most immediately reflects the decline in spending power. Consumption has contracted sharply in the United States in March and April (-6.6% and -12.6%, respectively). In May, consumption rose 8.2%, although this did not offset

the contraction in April, before declining to 1.9% in July. Moreover, consumption is the largest component of GDP in most countries and represents an average of over 70% of GDP worldwide. Lastly, the expectation of higher consumption stimulates investment spending, thus giving an additional boost to aggregate demand.[11]

Nonetheless, the fiscal packages put in place in developed countries also contribute indirectly to sustaining aggregate demand, rather than directly, even though they are large relative to GDP in some cases and much larger than those implemented during the global financial crisis.[12] Fiscal packages —which have a major component of loans, capital injections and guarantees— are intermediated through the financial systems (see figure II.6). Accordingly, they can be seen more as measures to maintain the economy's liquidity and sustain the financial sector than as a source of support for aggregate demand. The analysis of fiscal packages in emerging and developing economies displays a similar pattern, albeit with a few exceptions.

Figure II.6
Selected advanced economies (9 countries): fiscal measures to address the economic and social crisis caused by COVID-19
(Percentage of GDP)
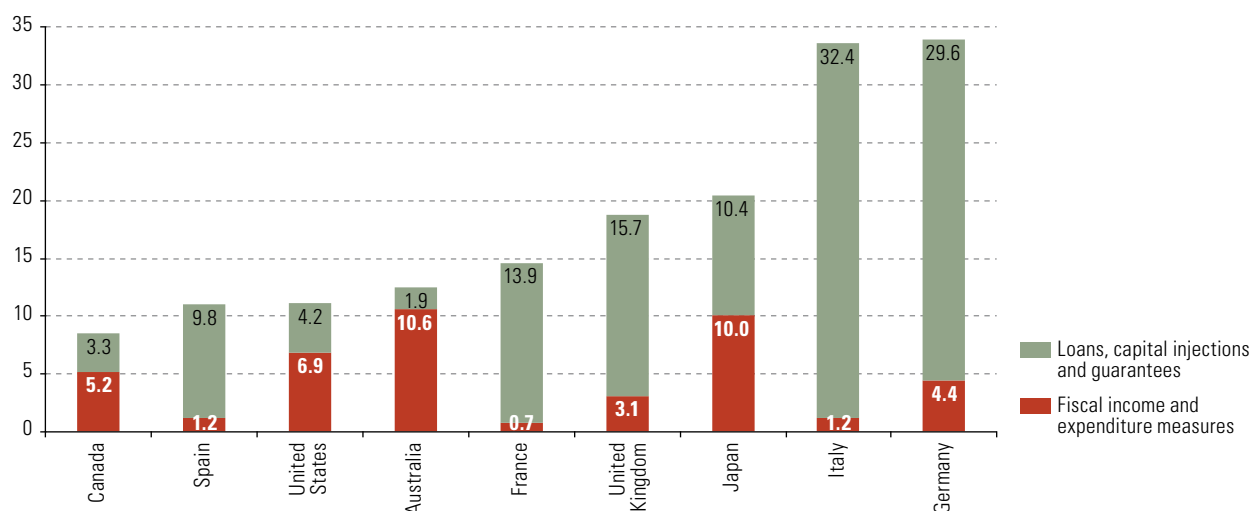
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *Fiscal Monitor: Policies to Support People during the COVID-19 Pandemic,* April 2020.

Similarly, an analysis by type of fiscal measure also indicates indirect fiscal support. The analysis of the frequency of fiscal measures adopted shows that these have mostly been deployed to underpin firms' cash flows and stave off bankruptcy, rather than to shore up consumption or employment (see figure II.7).[13]

In this context, increased government borrowing may not have the desired effect in terms of sustaining aggregate demand. If so, such measures could generate higher levels of public debt and low growth rates. Depending on interest-rate and economic growth trends, these conditions could put fiscal sustainability at risk, particularly in

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[11]   This is known in the economic literature as the "accelerator effect", whereby increased consumption generates expectations of higher aggregate demand which then stimulates investment spending. For the importance of this effect in the countries of Latin America and the Caribbean, see chapter III of ECLAC (2018).

[12]   The fiscal packages implemented by the Group of Seven (G7) economies to cope with the current crisis —with very different situations and starting points— represent on average four times the relative size of the packages deployed in the 2008 global financial crisis.

[13]   *Fiscal Panorama of Latin America and the Caribbean 2020* gives details of the measures implemented by the countries of Latin America and the Caribbean (ECLAC, 2020).

emerging and developing economies and, especially, in the most heavily-indebted countries.[14] This environment of heightened sovereign risk could be further aggravated by a higher degree of uncertainty and by geopolitical tensions.

Figure II.7
Selected advanced economies (9 countries):[a] frequency of fiscal measures adopted to address the financial crisis caused by COVID-19
(Number of measures)
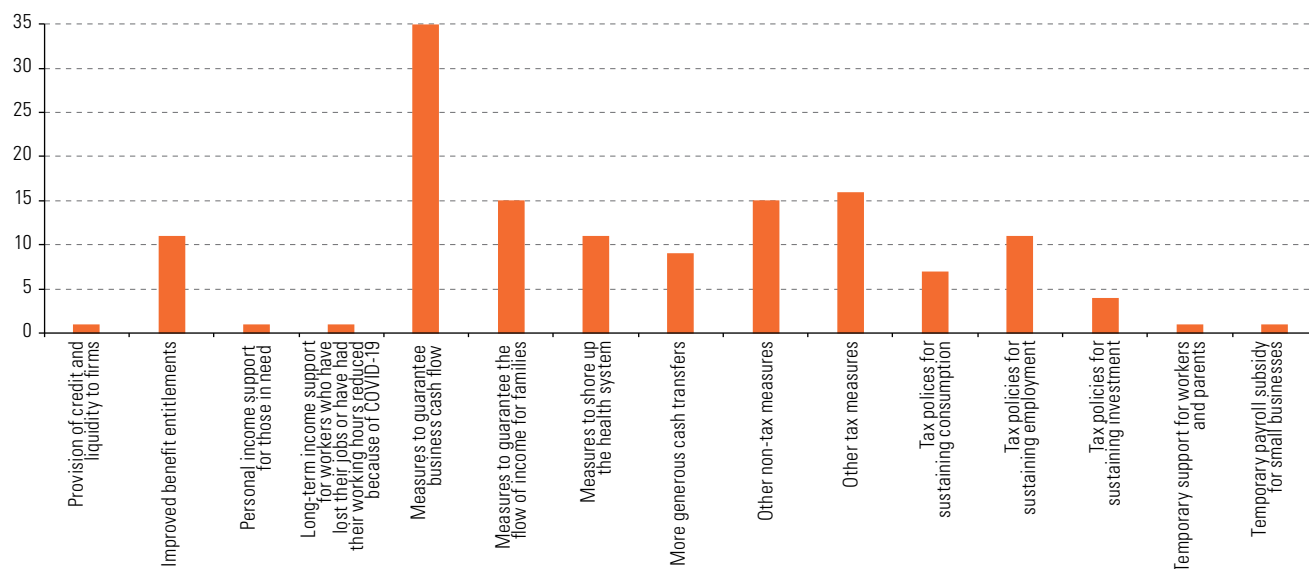
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
[a] Australia, Canada, France, Germany, Italy, Japan, Spain, the United Kingdom and the United States.

The implementation of fiscal austerity policies —which some economists consider necessary in the recovery phase to keep debt levels within sustainable bounds, expand fiscal policy space, avoid increased sovereign risk and maintain access to capital markets— could seriously compromise the sustained recovery of the global economy, not only because of weaker growth but also owing to the accumulation of public debt.[15] This is one of the main lessons to be drawn from the global financial crisis of 2008–2009 and the euro crisis of 2010–2013 (Skidelsky, 2018). Fiscal austerity policies could become a reality if liquidity crises in some economies develop into solvency crises; and, if the latter lead to expenditure cuts, this could aggravate fiscal imbalances and trigger a downward spiral.

The capacity of investment to revive aggregate demand may be limited by the high level of debt prevailing in the non-financial corporate sector. This situation could restrict the expansion of demand, partly because the higher the level of debt, the greater the risk and probability of defaulting on debt payments. Difficulties in meeting loan maturities can also weaken balance sheets in the financial system, thereby contributing to a credit crunch with adverse effects on the real economy.

The relationship between cash flows, investment and leverage also needs to be considered. The data available for Europe and Latin America display a non-linear relationship between cash flows, investment and leverage. Below a certain threshold of leverage, cash

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[14]   The public deficit sustainability condition implies that, if the rate of economic growth is higher than the interest rate at which the government borrows, there is room to expand government spending or reduce taxes. The condition can be expressed as:

$$(x\text{-}r)b = D_p \Leftrightarrow b = \frac{D_p}{(x\text{-}r)} \qquad (1)$$

Where: r = real interest rate; x = real GDP growth rate; D_p = primary deficit relative to GDP and b = fiscal debt relative to GDP.

[15]   A lower growth rate implies lower income and, consequently, less tax revenue.

flow and investment are positively related. Above a certain threshold, the relationship is negative. However, the thresholds are not constant and may vary through time.[16]

In addition, the debt markets are sometimes used to finance investment in financial assets instead of physical assets, and to boost the valuation of existing assets. This is illustrated in figure II.8 for the United States. This pattern of behaviour makes it more likely that expectations of an uncertain, maybe slow, recovery, or even a setback in the control of the pandemic, could exert significant downward pressures on asset valuations in United States firms.

Figure II.8
United States: trend of investment, dividends and share buybacks in the non-financial corporate sector, 1960–2016
(Percentage of GDP)
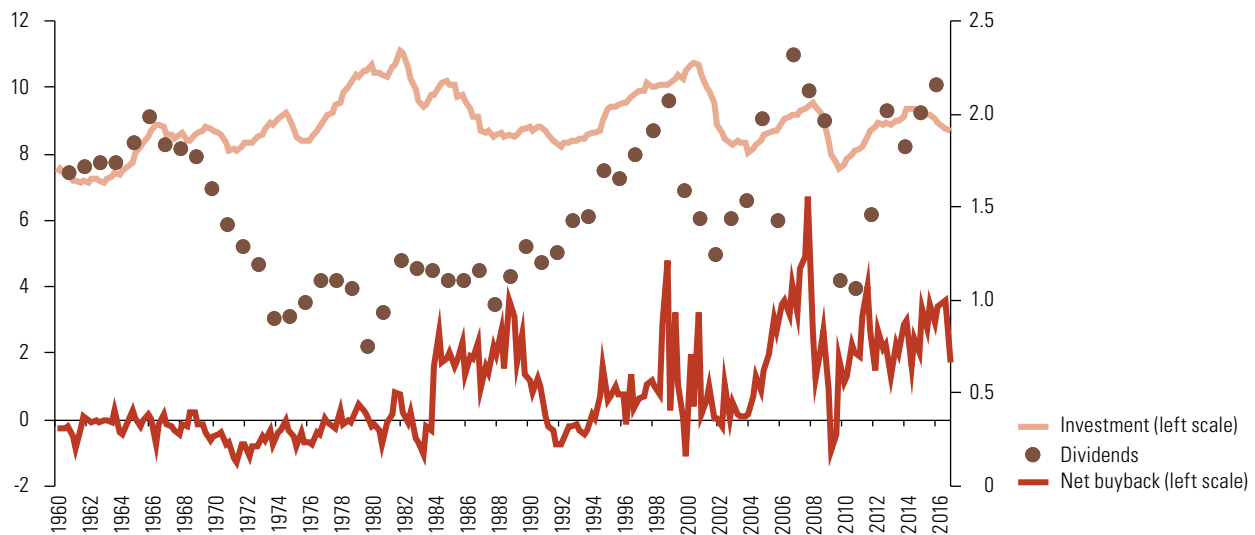
Source: J. Gruber and S. Kamin, "Corporate buybacks and capital investment: an international perspective", *IFDP Notes*, Board of Governors of the Federal Reserve, 2017 [online] https://www.federalreserve.gov/econres/notes/ifdp-notes/corporate-buybacks-and-capital-investment-an-international-perspective-20170411.htm.

Lastly, the impact of the pandemic containment measures, on the production structure and employment worldwide, will also affect investment.

One of the main effects of the COVID-19 crisis has been to disrupt value chains, since it has affected a number of countries where a large part of global production is concentrated, such as China.[17] The spread of the effects of the pandemic to the different global value chain hubs has resulted in falling aggregate demand compounded by cumulative bottlenecks in manufacturing output.[18] The disruption of global value chains has had significant economic impacts on the global production structure and also on that of developing countries, including those in Latin America and the Caribbean.

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[16] A recent study covering a set of 618,000 firms operating in Greece, Italy, Portugal, Slovenia and Spain in 2005–2014, shows that the leverage ratio (the ratio of debt to financial assets) has a mean of 0.48 (median 0.45) and a standard deviation of 0.3 (Gebauer, Setzer and Westphal, 2017). The study specifies thresholds for over-indebtedness as a debt-to-asset ratio of 80%–85%. Over-indebtedness refers to a situation where the level of debt has a statistically significant negative effect on investment. The study also found that moderate leverage does not adversely affect investment. However, an analysis of the subperiods considered within the sample (2005–2008 and 2009–2014) shows that: (i) in the pre-crisis period (2005–2008), indebtedness does not affect investment; and (ii) in the post-crisis period, high and low levels of indebtedness have a negative impact on investment. The authors explain the difference between these results in terms of tighter financial constraints and a higher level of risk aversion. The data reveal a non-linear relationship between cash flow and investment in Latin America, as in Europe, (ECLAC, 2017).

[17] China accounts for 15.2% of global GDP, 10% of global imports and exports and 9% of global foreign direct investment.

[18] According to the World Trade Organization (WTO, 2019), more than half of global trade in goods and services consists of intermediate products that are traded mainly within global value chains and global goods and services production networks. The latest available figures show that global value chains encompassed 57% of world trade in 2015.

Another factor that will detract from the buoyancy of investment and its capacity to react is the rising number of firms filing for bankruptcy. In the case of the United States, the number of firms with liabilities of over US$ 50 million that filed for bankruptcy between January and May 2020 was 57% more than in the year-earlier period (63 and 99 firms, respectively). Furthermore, the 2020 figure is the highest since 2000, except for 2009 in the wake of the global financial crisis.

The available evidence suggests that, once the 2020 contraction is over, the lifting of physical distancing and other social measures adopted to contain the pandemic will provide a boost to economic growth. However, as noted above, an analysis of the behaviour of the variables driving aggregate demand (consumption, government spending and investment) shows that this momentum will not be sufficient, either in intensity or in duration, to return to the pre-COVID levels of per capita GDP.

An alternative possibility to the world economy returning to a growth path after 2020 is a more pessimistic scenario of deflation in both goods and asset prices owing to weak demand in a high-debt environment; in other words, debt deflation.

In a debt deflation scenario, the debt burden grows ever larger in real terms, owing to falling goods and asset prices. Moreover, deflation in goods and asset prices further depresses aggregate demand, by eroding incomes and increasing financial burdens in real terms. This generates a spiral towards economic depression. In the 12 months to April 2020, negative growth rates have been reported in fuel prices, raw material indices, wages and salaries, the prices of imported inputs and price indices (Bloomberg, 2020a). More recently, the European Central Bank (ECB) has warned that the eurozone is sliding into a deflationary situation (Bloomberg, 2020b). These data are consistent with the behaviour of core inflation in past crises. In the United States, in particular, major recessions have been accompanied by deflation (see figure II.9).

Figure II.9
United States: core inflation rate in recessionary periods, 1969–2009
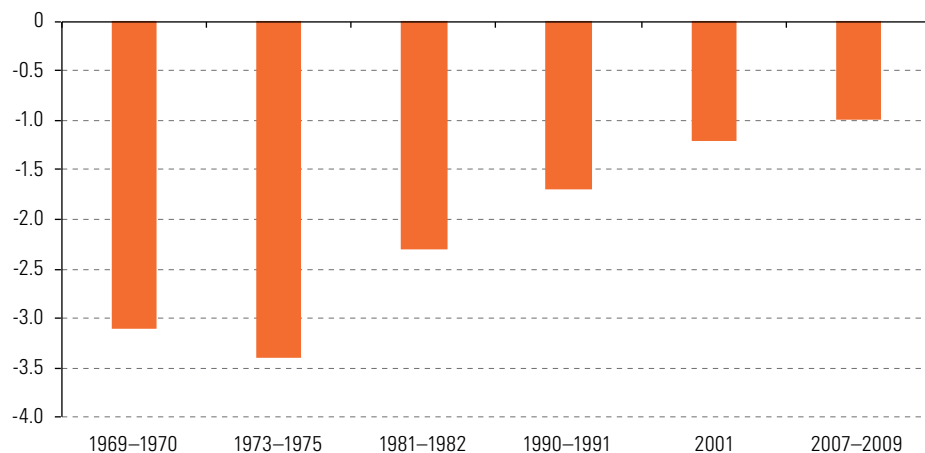
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg, 2020.

In the current crisis, although prices have been trending down in developing countries, there has been no asset deflation, thanks to a strongly expansionary monetary policy. However, a deflationary scenario cannot be completely ruled out. There is major concern about the effect a loss of confidence could have on asset prices if the COVID-19 crisis is dragged out in both Europe and the United States.

B. Fiscal policy challenges in a post-pandemic world

Introduction

The effects of the pandemic have strained government accounts in the region to an extent not seen since the debt crisis of the 1980s. Both the overall and the primary fiscal position are projected to show the highest deficit since 1950, exceeding even the 6.1% of GDP reached in 1982. Public debt, too, is on the rise and estimated to increase by 9.3 percentage points in 2020 (see chapter I).

Like the the global financial crisis of 2008–2009, the coronavirus disease (COVID-19) pandemic has drawn attention to the role of fiscal policy. Government action, in the form of major packages of measures to contain the pandemic, has played a key part in mitigating the economic and social effects of the crisis. At the same time, the role of fiscal policy as an instrument for reviving the economy and building back more resilient societies is being recognized in the region and worldwide. This recognition of the important part played by the State in tackling and overcoming the pandemic and the ensuing humanitarian, social, and economic crisis has translated into an expansionary fiscal policy that will need to be sustained over time to enable viable economic reactivation, while rebuilding more inclusive, egalitarian and resilient societies.

The main challenges for fiscal policy in the post-pandemic era will be to build States that deliver well-being, strengthen productive development and pursue policies that foster environmental sustainability. Fiscal austerity is thus not the most apt response to the challenges expected. The region needs to seize this opportunity to move its development path into line with the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.

In order to pursue expansionary fiscal policy within a fiscal sustainability framework, strategies are needed to expand fiscal space by mobilizing both domestic and external resources. At the national level, there is room to enhance the State's revenue-raising capacity —which is low and skewed towards regressive indirect taxes— by bolstering income tax, property taxes and taxation of the digital economy, along with corrective taxes relating to the environment and public health. There is, likewise, space to reduce revenue losses caused, for instance, by tax evasion and tax expenditure. At the same time, given the importance of expenditure policy as a development tool, it is important to enhance the efficiency, effectiveness and equity of public measures in order to guarantee that the resources mobilized are channelled toward public policies that reduce inequality and foster growth. Such efforts at the national level need to be supplemented by more vigorous mobilization of external resources through access to sources of financing on more favourable terms, be it on international markets or via international financial institutions. International cooperation will play a key part with respect to coordinating among the various parties so as to render those efforts more effective.

1. The need for expansionary fiscal policy

The importance of the State and of fiscal policy in the context of the pandemic is evident, given the scale and scope of the fiscal efforts announced by the countries of the region (see box II.1). At the same time, it is important to highlight the significant impact on public finances that will result from the steep drop in economic activity. The fiscal deficit could reach 8.4% of GDP in 2020 as a consequence of a decline in revenue and increased public expenditure, while central government gross debt could increase by 9.3 GDP percentage points (see the paragraphs on fiscal policy in section 1.D).

Box II.1
Fiscal effort of the measures announced in Latin America to tackle the coronavirus disease (COVID-19) pandemic

Since the onset of the coronavirus disease (COVID-19) pandemic in Latin America, in March 2020, the countries of the region have announced major packages of measures to mitigate its impact on the health systems, households —especially, the most vulnerable— and the corporate sector —in particular, micro, small and medium-sized enterprises (MSMEs)—. The fiscal effort, as a simple average, of the set of the tax relief (foregone revenue), public spending (exceptional and the result of budget restructuring) and liquidity (excluding State credit guarantees) measures adopted in the region is equivalent to 4.1% of GDP, as can be seen in the table below.

Latin America (17 countries): fiscal efforts of the measures announced to tackle the COVID-19 pandemic
(Percentages of GDP)

	Fiscal efforts of announced emergency plans[a]	State credit guarantees
Argentina[b]	4.9	0.5
Bolivia (Plurinational State of)	4.9	-
Brazil	7.9	0.5
Chile	5.7	1.2
Colombia	2.5	1.5
Costa Rica	0.8	3.0
Dominican Republic	0,8	2,7
Ecuador	3.5	-
El Salvador	11.1	-
Guatemala	2.5	-
Haiti	4.0	-
Honduras	4.3	1.7
Mexico	1.1	-
Panama	3.7	0.1
Paraguay	4.4	0.5
Peru[c]	6.0	10.7
Uruguay	1.6	5.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] This fiscal effort is the result of expenditure (reallocations and exceptional expenditure), tax relief (foregone revenue) and liquidity (government loans to the private sector and capitalization of public financial funds, except State credit guarantees). Corresponds to announced measures that have been approved or are in the process of being approved; therefore, discrepancies could arise with respect to eventual budget execution. Information updated on 7 September 2020.
[b] Includes 0.4% of GDP in revenue measures, 2.0% of GDP in expenditure measures, 0.7% of GDP in measures to support the provinces and 1.9% of GDP in soft credit programmes.
[c] Does not include the exceptional withdrawal of funds from the compensation for years of service (CTS) accounts and the private pension fund providers (AFP).

The different magnitudes of the fiscal efforts announced are related to the specific characteristics of each country in terms of the structure of their economies, the fiscal space available, their ability to mobilize additional financing, the scope of health systems and social safety nets, and the spread of the pandemic. Those countries that had social protection systems with wider coverage have had the capacity to react quickly and effectively to contain the pandemic and mitigate its effects, by taking advantage of existing social protection programmes and combining them with new fiscal efforts.

In addition, 11 countries announced the creation or, in some cases, the reinforcement of public funds to support lending to firms. In Argentina, the government created a specific allocation fund of 30 billion pesos, that will be transferred to the Argentine Guarantee Fund (FOGAR), increasing its available capital to 91.920 billion pesos (equivalent to 0.5% of GDP). In Brazil, the Emergency Credit Access Programme (PEAC) of the Guarantee Fund for Investments (FGI) has 30 billion reais, in addition to the injection of 4 billion reais into FGI. In total, State guarantees for credit lines in Brazil amount to 34 billion reais, equivalent to 0.5% of GDP. In Chile, the one-off capitalization of the small businesses credit guarantee fund (FOGAPE)

Box II.1 (concluded)

for US$ 3 billion (1.2% of GDP) is expected to allow credit guarantees to be provided up to a total of US$ 24 billion (10% of GDP). In Colombia, the government created three new lines of credit in the National Guarantee Fund (FNG) for MSMEs and independent workers for a total of 16 billion pesos (1.5% of GDP). The Government of Costa Rica made 900 billion colones available to the financial system and, in particular, the State-owned bank, for productive sector loan securities and guarantees, and on 12 August it announced the creation of a National Securities and Guarantees Fund in an effort to reactivate the economy and provide support to those in debt affected by the COVID-19 pandemic, with a total envelope of around 180 billion colones, which in total is equivalent to 3.0% of GDP. In Honduras, the central bank injected 2.500 billion lempiras (1.7% of GDP) into the Honduran Bank for Production and Housing (BANHPROVI), which should allow up to 20 billion lempiras (13.3% of GDP) to be leveraged for working capital loans for firms. In Panama, a guarantee fund was set up with capital of 50 million balboas (0.1% of GDP) for MSMEs. The Emergency Act adopted on 26 March 2020 in Paraguay provided for a one-off capitalization of the Guarantee Fund for Micro, Small and Medium-Sized Enterprises (FOGAPY) of US$ 100 million (0.3% of GDP), which translates into credit possibilities of up to US$ 500 million (1.3% of GDP). In addition, the Ñapu´ã Paraguay Economic Reactivation Plan, presented on 29 June 2020, includes a Housing Guarantee Fund for the middle class of US$ 80 million (0.2% of GDP). In Peru, an additional 70.300 billion soles (9.2% of GDP) were injected into the various State credit line guarantees (namely, *Reactiva Perú* and business support funds). In the Dominican Republic, a guarantee and financing fund was set up for MSMEs, with the aim of guaranteeing a portfolio of up to 125.100 billion pesos, equivalent to 2.7% of GDP. Lastly, in Uruguay, it was announced that up US$ 2.500 billion (5.2% of GDP) was available for credit guarantees through the National Guarantees System.

In light of the possibility of gradually rolling back lockdown measures and entering into a post-pandemic reactivation phase, some countries have announced measures with a longer time horizon, in order to speed up the economic recovery. In Chile, for example, the creation of the COVID-19 Transitionary Emergency Fund was approved, through which US$ 12 billion (equivalent to 4.8% of GDP) will be distributed over a period of 24 months in an effort to reactivate the economy. In addition to investment projects focused on sustainability and climate change mitigation, measures include strengthening instruments to protect households' incomes and expanding liquidity support for the private sector backed by the government (State guarantees or recruitment subsidies, among other measures). Moreover, the government announced the plan, *Paso a paso, Chile se Recupera*, which provides for additional resources to streamline and promote infrastructure investment projects focused on addressing the water crisis, supporting municipalities, improving mobility and integration in cities, upgrading roads and building motorways and bridges.[a]

In Colombia, the Executive presented an economic reactivation plan for 2021–2024 worth a total of 35.7 trillion pesos (about 3.1% of GDP projected for that period, according to official estimates) to Congress at the end of July 2020. Of that amount, 24.3 trillion pesos (2.5% of GDP) will be used in 2021 to reinforce existing programmes in the areas of education, social inclusion, health, employment and housing, such as *Más Familias en Acción, Jóvenes en Acción* or *Colombia Mayor,* among others. The solidarity income has been extended until July 2021 in order to provide assistance to 3 million families. With regard to investment, 11.4 trillion pesos (0.6% of GDP) will be disbursed in addition to the current investment plan, to promote projects in the areas of water and sanitation, transportation and housing.

Similarly, Peru approved, on 19 June 2020, the plan, *Arranca Perú*, to reactivate the economy and support the population through public investment, in the amount of 6.834 billion soles (approximately 0.9% of GDP). In Paraguay, the economic reactivation plan presented on 25 June 2020 will mobilize US$ 2.434 billion (equivalent to 6.4% of GDP, not including State guarantees for home loans) over a period of 18 months, and will include measures to extend the Pytyvõ programme until the end of 2020 (grants for self-employed workers), restructure the State, carry out public works investment projects (US$ 1.300 million or 3.4% of GDP) and extend financing instruments for productive sectors. Meanwhile, Guatemala presented an economic and social reactivation plan on 2 September 2020 that provides extra resources for 2021–2024 to the tune of 13.548 billion quetzales (2.1% of GDP projected for that period). Among these intervention pillars, there is a strong public investment component that seeks to expand the health, transportation and energy infrastructure, and suport the agricultural sector.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] See [online] https://www.gob.cl/chileserecupera/inversion/.

The complex social and economic outlook for the region renders decisive government intervention essential to reactivate economic activity and rebuild societies better. That will require making further fiscal efforts, so that future fiscal policy will need to be expansionary and supported by a sustainability framework focusing on strengthening government revenue and promoting economic growth. Fiscal austerity is not the solution to the exceptional circumstances besetting the region and the mounting, and increasingly persistent, social and productive challenges it faces.

The more an expansionary fiscal policy helps revive the economy and improves its prospects of post-pandemic growth, the greater the likelihood of countries meeting their fiscal commitments. Sustainable economic recovery would help tax revenues bounce back, which would in turn help narrow the growing gaps between the expenditure needed for reactivation and reconstruction and the revenue needed to finance them, thereby improving countries' fiscal position and the public debt profile.

Accordingly, in the current context in Latin America and the Caribbean, fiscal sustainability is closely tied to the ability of countries to control the pandemic in the short term and, as far as possible, stem the sharp deterioration in living standards, the labour market, the productive structure and the financial system, so as to generate the conditions needed for a prompt recovery of post-pandemic economic growth.

The public policies pursued during the reactivation and reconstruction process will be decisive in shaping the development path that Latin America and the Caribbean will follow. Countries should therefore seize this opportunity to resolve the region's widespread and longstanding inequalities. The goals of reactivation and reconstruction should be to boost aggregate demand with a special emphasis on supporting household consumption and encouraging investment, and laying the foundations for sustainable development capable of reducing inequalities and protecting the environment, in keeping with the 2030 Agenda for Sustainable Development.

(a) The part played by fiscal policy as a tool for supporting consumption and bolstering investment during the economic reactivation and building back better

The COVID-19 pandemic has unleashed the most severe humanitarian, economic and social crisis in the recent history of Latin America and the Caribbean. In terms of its social toll, ECLAC estimates that, as a result of the crisis, in 2020 poverty in the region will increase by 7.1 percentage points and the unemployment rate will grow by 5.4 percentage points. That scenario will exacerbate already wide gaps in the region with respect to income inequalities and quality of employment. For example, in 2019, over half (54%) of the economically active population worked in informal jobs. Those patterns, plus the lockdown measures imposed to contain the spread of the pandemic, have significantly impaired people's income and hence their consumption capacity.

Governments in the region acted quickly to mitigate the decline in people's incomes via cash and in-kind transfer programmes for the neediest households, along with programmes to strengthen unemployment benefits. For instance, special grants were established for the social strata considered vulnerable in Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru and the Plurinational State of Bolivia. Allowances ranging from US$ 40 to US$ 300 were delivered on a monthly basis for up to 3 months (ECLAC, 2020a; ECLAC, 2020b). Those measures offset part of the drop in household consumption.

En route to recovery, fiscal policy should continue to include measures to shore up household income with a view to safeguarding families' consumption capacity, especially given the uncertain outlook regarding control of the pandemic. That support could focus on households living in poverty and low-income families through non-conditional cash

transfer programmes. Along those lines, ECLAC has signalled the need to guarantee cash transfers to cover basic needs and sustain consumption, in the form of a basic emergency income via a cash transfer equivalent to one poverty line (US$ 143 at 2010 prices) over a 6-month period for all segments of the population living in poverty in 2020. Given the intensity and duration of the pandemic in the region, ECLAC proposes giving consideration to extending provision of the basic emergency income to up to 9 or 12 months, to better protect the population (ECLAC, 2020b).

As regards workers, unemployment benefit systems will need to be strengthened by raising benefits and facilitating access to them, so as to expand their coverage. Special heed should be paid to informal and independent workers who are precluded from this kind of assistance. Robust policies will likewise be needed to sustain and expedite the recovery of employment via, for instance, subsidies to finance hiring or soft loans to finance payrolls. To increase their impact, such tools should be directed at sectors experiencing the greatest difficulty accessing the labour market, namely women, young people or the less educated, and should include strict clauses conditioning State help for companies. One area warranting particular attention is the creation of labour market information systems to facilitate job-seeking (Gontero and Zambrano, 2018).[19] The sheer extent to which jobs have been destroyed and transformed during the pandemic also suggests a need to expand education and vocational/technical training systems in the region in order to help the unemployed transition to new jobs (ILO/CINTERFOR, 2020).

Complementing these measures, public investment must play an important part in the reactivation of economic growth. According to the empirical data available, the multiplier effects of public investment in countries with a low capital stock are greater than the multiplier effects of public investment in countries with a high capital stock (Izquerdo, Pessino and Vuletin, 2018). In this regard, the fact that the level of general government capital stock is lower in Latin America than in other emerging markets is a relevant point (see figure II.10). It also bears mentioning that, during a recession, fiscal multiplier effects are greater than during periods of expansion (Auerbach and Gorodnichenko, 2012; Riera-Crichton, Vegh and Vuletin, 2014).
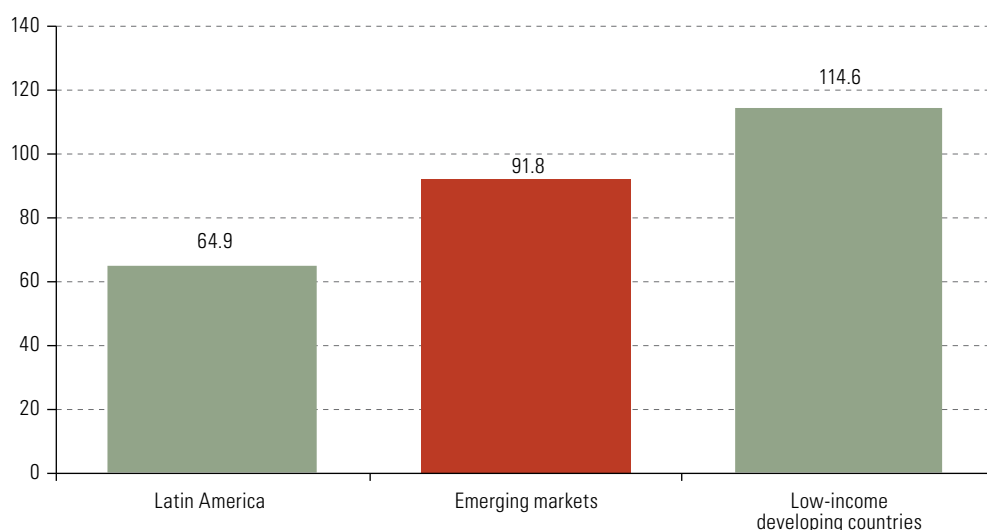
Figure II.10
Groups of selected countries: general government capital stock, 2015[a]
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF) "Investment and Capital Stock Dataset, 1960-2015" [online] https://www.imf.org/external/np/fad/publicinvestment/data/data122216.xlsx.
[a] Figures for Latin America refer to the following 18 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

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[19] Of particular note in the region is the Labour Observatory of the National Training and Employment Service (SENCE) of Chile. See [online] https://observatorionacional.cl/.

Public investment in Latin America and the Caribbean is relatively low, although this varies between the two subregions. In Latin America, capital expenditure growth has slowed, from 4.2% of GDP in 2013 to 3.2% in 2019 (see figure II.11). The Caribbean has evolved differently as a consequence of the reconstruction efforts undertaken in several countries that were hard hit by natural disasters over the past 10 years. The low level of investment can be seen in the significant drop of its share in total expenditure in Latin America. That decline is worrisome, given that an increase in the ratio between capital expenditure and total expenditure tends to have a major impact on economic growth (Fournier, 2016). Another important consideration is that fiscal consolidation in the region in recent years was achieved mainly by cutting capital expenditure to accommodate increased interest payments and contain the growth of total expenditure.

Figure II.11
Latin America and the Caribbean: central government capital expenditure, 2010–2019
(Percentages of GDP and percentages of total expenditure)

A. Latin America (16 countries)
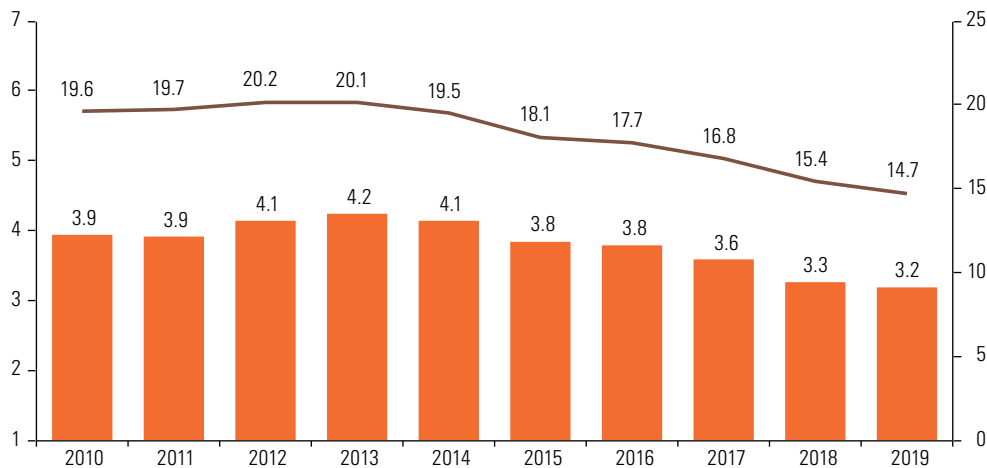
B. The Caribbean (12 countries)
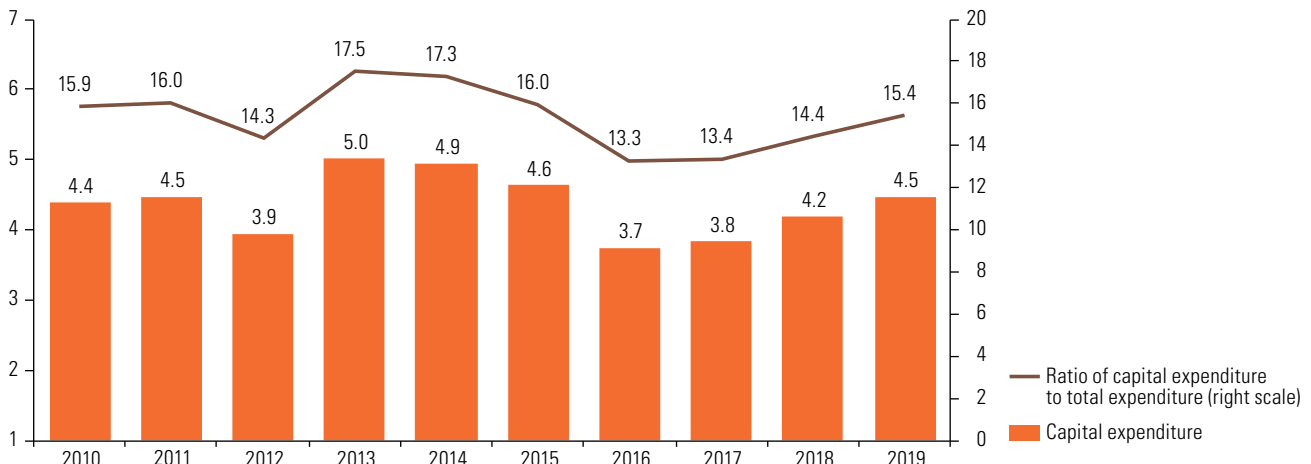
Ratio of capital expenditure to total expenditure (right scale)

Capital expenditure

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

In order to maximize the impact of public investment efforts, it is essential to prioritize investments with a high return in terms of growth and productivity. Accordingly, public investment in economic infrastructure —roads, airports and railways, for instance— is vital, since it facilitates economic development and serves to attract private investment (ECLAC, 2020a). Despite that, as figure II.12 shows, public expenditure on economic

services —closely related to public investment— has fallen over the past decade, with an especially sharp contraction in investment in transportation projects. In that connection, ECLAC (2015) had estimated that the investment needed to close existing gaps between supply and demand for infrastructure amounted to 6.2% of annual GDP for the 2012–2020 period, a far cry from the level observed of expenditure on economic services during that period and today.

Figure II.12
Latin America: central government expenditure on economic services, 2000–2018
(Percentages of GDP)
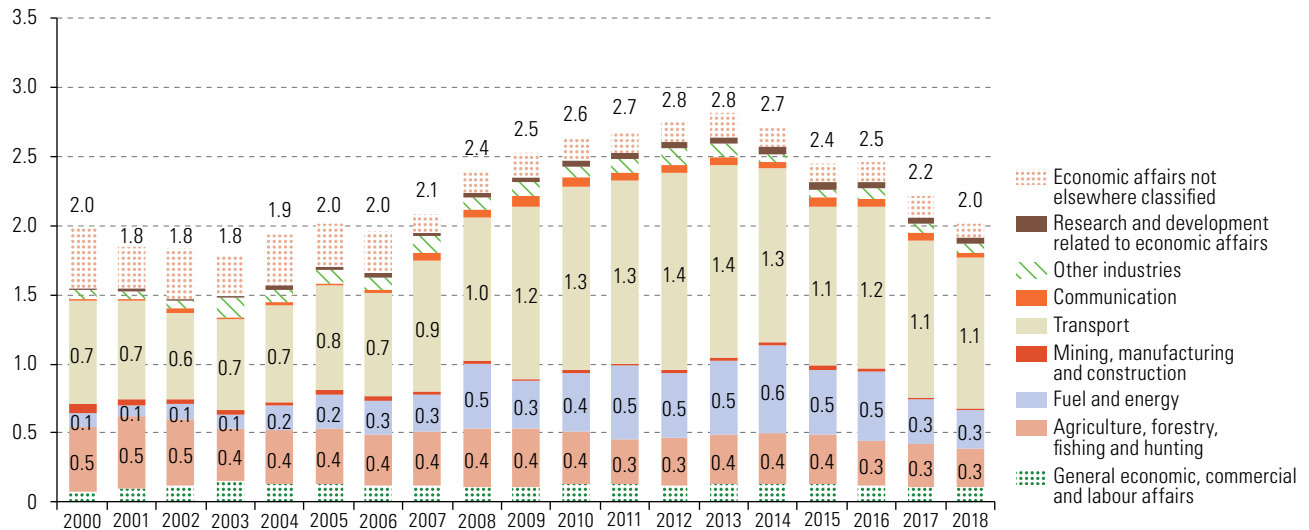
Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Fiscal Panorama of Latin America and the Caribbean, 2020: fiscal policy amid the crisis arising from the coronavirus disease (COVID-19) pandemic* (LC/PUB.2020/6-P), Santiago, 2020.

As part of efforts to increase public investment, priority should be given to projects that help make the productive structure more environmentally sustainable and serve as beacons to attract private investment to those sectors. Investment policy frameworks are needed to create virtuous circles between public and private investment. Tools worth considering include tax incentives for companies. The fiscal cost of existing tax incentives in the region is substantial —1.4% of GDP on average between 2016 and 2019— but these could be re-oriented towards creating new productive capacities and decarbonizing the economy (ECLAC, 2019b; ECLAC/Oxfam International, 2019). At the same time, ways to make the most of public-private partnerships should be explored with a view to raising additional funds to finance key projects for complying with the SDGs.

(b) Sustainable and inclusive development

The crisis triggered by the pandemic has laid bare the shortcomings with respect to coverage and quality of the region's social protection systems. In order to rebuild more inclusive and egalitarian societies, achieving universal health-care and social protection services will need to be at the heart of the social agenda, as will forging more efficient, effective and equitable social development policies, so as to help close social gaps, especially those that affect the most vulnerable groups. Achieving those goals will give rise to regular expenditures for the foreseeable future.

The COVID-19 pandemic has focused public attention squarely on the conditions under which the region's health systems operate. The deficient coverage and quality of services and lack of care have been among the main weaknesses of the response to the pandemic by countries in the region. Those weaknesses are also reflected in connection with achievement of the targets of SDG 3 (health and well-being). According to *Sustainable Development Goals and COVID-19. Sustainable Development Report 2020* (Sachs and others, 2020), the latest indicators of progress towards achievement of the targets for that SDG are not very promising. Currently, 16 countries in Latin America and the Caribbean are considered to be facing major challenges with meeting this Goal, even though the majority show signs of improvement. Another 13 countries have made more progress, but still have to overcome significant hurdles.

Public health systems in the region are typically highly fragmented and poorly funded, and their users have to cover large out-of-pocket expenses (ECLAC/PAHO, 2020). The existence of multiple coverages creates inefficiencies and inequalities in access to health care and financing for it. That aspect is particularly important given the prevalence of informal labour markets in the region. By definition, informal workers operate outside legal frameworks and are therefore not covered by official social security systems. That is one reason why out-of-pocket expenses in the region are high. On average, households cover more than one third (34%) of health care costs through direct payments, while almost 95 million people have catastrophic health-care expenses and some 12 million become impoverished as a result (ECLAC/PAHO 2020). In that connection, spending on public health by central governments in the region averaged 2.3% of GDP in 2018 in the case of Latin America and 3.3% of GDP in the Caribbean, which is below the goal of 6% of GDP recommended by the Pan American Health Organization (PAHO) (ECLAC, 2020a; ECLAC/PAHO, 2020; PAHO/WHO, 2017).

For building back better, a set of measures will be needed geared to institutionalizing the concept of universal access to health as a human right, as established in Article 25 of the Universal Declaration of Human Rights (United Nations, 1948). That will require creating public health systems that provide affordable and high-quality health care —especially primary health-care services— free from any form of discrimination (United Nations, 2013). To achieve that objective in the region, it will be necessary to enhance the capacity of existing systems to respond to the needs of the population by establishing more equitable and efficient systems that are more resilient to future crises (ECLAC/PAHO, 2020). At the same time, it is important to emphasize that strengthening health systems will contribute to economic development by securing the well-being of workers and thereby enhancing their productivity (Weil, 2007).[20]

The pandemic and the socioeconomic crisis it has generated have also revealed the weakness of social protection instruments in the region. Countries have had to swiftly implement new programmes —or modify those already in place, such as non-conditional cash transfers— to address society's needs (ECLAC, 2020a). The need to resort to emergency measures underscores the absence of a comprehensive social protection framework with measures guaranteeing access to pensions, unemployment insurance, social benefits and support for families and vulnerable populations. At the same time, the crisis has exacerbated the inequalities inherent in underdeveloped health systems, which usually lack universal coverage. Breaking that pattern, as required by the SDGs, must be a key objective in the reconstruction period. Social policy frameworks need to be crafted, with the tools needed to strive for universal and sustained coverage that will help reduce poverty and inequality and forge robust foundations for sustainable development (Abramo, Cecchini and Morales, 2019).

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[20]   For example, Fournier (2016) finds that public investment in health —hospitals and equipment— by a group of countries in the Organization for Economic Cooperation and Development (OECD) results in an increase in potential GDP that is statistically significant and greater than investments in other public expenditure functions.

A key challenge for achieving that objective is finding ways to make social protection systems in the region sustainable. Spending on social protection —consisting principally (70%) of outlays for older adults' pensions— has increased in recent decades (ECLAC, 2020a). Social security contributions are likewise expected to exert even greater pressure on fiscal accounts in the next few years. That can clearly be seen in respect of pensions, which will account for an increasing share of government expenditure as the demographic transition process advances in the region (Arenas, 2019). Here it should be pointed out that the social security reforms currently being discussed entail greater public sector involvement in pension systems. Specifically, those reforms seek to strengthen public systems and solidarity mechanisms, not to move towards —or bolster— individual savings systems. At the same time, outlays for pensions have also increased as a consequence of the greater coverage of the assets (contributors) and liabilities (recipients) of the current systems. Coverage of non-contributory pension systems has also expanded substantially, although the average cash value of those pensions remains low.

In addition to pensions, other social protection areas will need to be included in the discussions about how to build our societies back better, making them more inclusive, egalitarian, and resilient. For that, it will be necessary to rethink social protection systems, increasing their coverage and quality, and making their services available to all. Areas to be considered include education, the possibility of a universal basic income, unemployment insurance and other policies to reduce the inequalities present in our societies.

2.   Options for expanding the fiscal space and making expansionary fiscal policy feasible in a fiscal sustainability context

The reactivation and reconstruction process will require an expansionary fiscal policy to finance the increased expenditure needed to generate the conditions for more sustainable development in the region. For that to be feasible, the fiscal capacity of the State will need to be strengthened, which, in turn, renders it essential that the reconstruction process be supported by an ambitious agenda that includes measures to raise fiscal revenue by prioritizing a progressive tax system and to close opportunities for tax evasion and avoidance. It will likewise be necessary to strive for more efficient, effective and transparent government spending, so as to guarantee that better use is made of the resources raised. There is an important function for international cooperation in supporting the efforts of the countries in the region, including middle-income countries, in order to tackle the impacts of the pandemic and generate financing terms that contribute to economic reactivation and reconstruction, in keeping with the 2030 Agenda for Sustainable Development.

(a) Strengthening fiscal capacity

The pandemic and the greater strains on public expenditure have highlighted the importance of redoubling efforts to bolster domestic resource mobilization during the reconstruction process. Total revenue in Latin America and the Caribbean has historically proved to be insufficient to cover government outlays, so that there has been a bias toward allowing fiscal deficits, with all their attendant risks. The past decade has been no exception to that trend, as countries' revenues have failed to keep up with the growth of public expenditure. However, the challenge lies not just in raising tax pressure but in doing so progressively, so that the tax system, too, helps reduce inequalities. It is therefore crucial to consider the way revenue is collected and the tax tools used.

It is important to gauge the scale of the challenges that countries face with regard to domestic resource mobilization. Despite the progress made in the past few years, tax pressure in the region remains low. As figure II.13 shows, tax revenue in 2018 was equivalent to 23.1% of GDP at the level of general government in the Latin American

and Caribbean countries, whereas in OECD countries it amounted to 34.3% of GDP (OECD and others, 2020). Nevertheless, the regional average obscures a wide variety of situations in the different countries, because tax pressure ranges from less than 15% of GDP in the Dominican Republic, Guatemala, Panama and Paraguay to percentages that approximate, or exceed, the OECD average, as is the case in Barbados, Brazil and Cuba.

Figure II.13
Latin America and the Caribbean (25 countries) and the countries of the Organization for Economic Cooperation and Development (OECD): general government tax pressure, 2018
(Percentages of GDP)
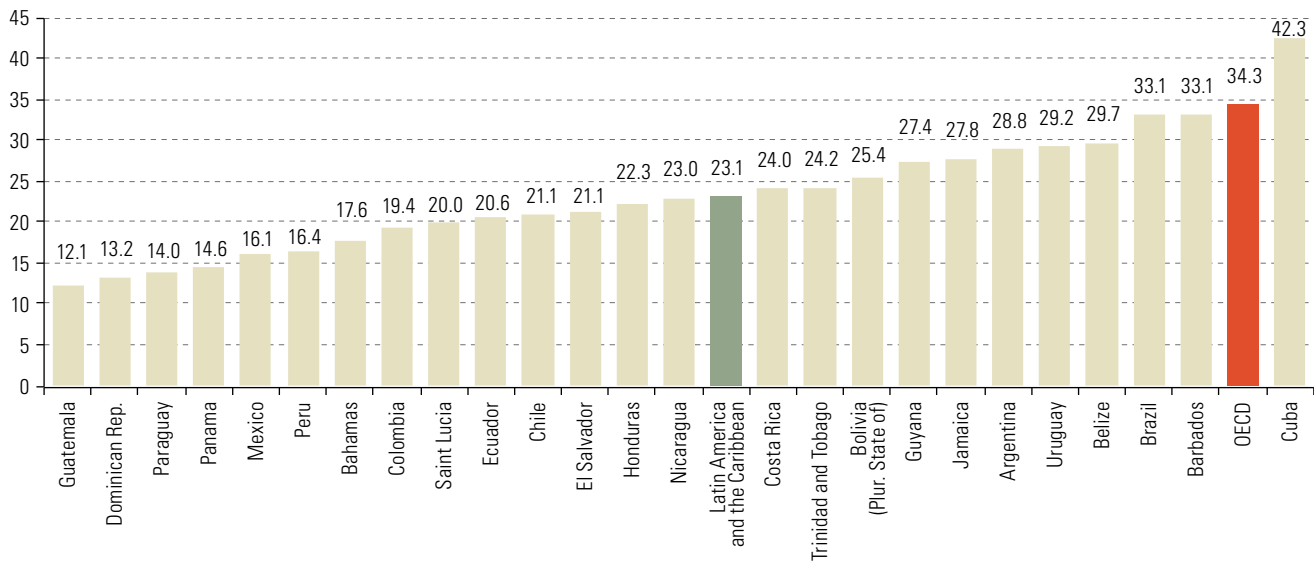
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD) and others, *Revenue Statistics in Latin America and the Caribbean 1990 -2018*, Paris, OECD Publishing, 2020.

The predominant tax structure in the region shows a marked bias toward indirect taxes on the consumption of goods and services. Those taxes tend to be regressive and thus have a greater impact on the income of poorer families. On the other hand, collection of direct taxes —on income and property— is low, which exacerbates the vertical and horizontal inequalities inherent in the current system. This structure limits the extent to which the tax system can act as an automatic stabilizer, because indirect taxes are tied more to consumption than income. This bias is seen in figure II.14, which shows that half of all tax revenue in Latin America and the Caribbean comes from indirect taxes, compared to approximately one third in the case of OECD countries.

Strengthening tax collection progressively and efficiently thus constitutes a priority for establishing new fiscal covenants to address the socioeconomic challenges of a post-pandemic world. That will require detailed analysis of how to broaden direct taxation in the region. It is likewise necessary to look for new ways to tax the digital economy and improve and broaden the set of public health and environment-related corrective taxes (such as carbon taxes).

Personal income tax. The main gap between the countries of the region and those of OECD with respect to the level and composition of tax revenue is in personal income tax. In 2018, revenue from that tax in the region averaged the equivalent of 2.3% of GDP, compared to 8.3% of GDP in OECD. The factors explaining the region's lacklustre performance include, notably, weaknesses in the way the tax is structured —such as the low legal rates and narrow tax bases— and the high levels of non-compliance (ECLAC, 2017b; Jiménez and Podestá, 2016). Accordingly, strengthening personal income tax will require not just enacting legislative amendments but also changing tax culture in the region. Both factors need to be included in proposals for new fiscal covenants in the region.

Figure II.14
Latin America and the Caribbean (25 countries) and the countries of the Organization for Economic Cooperation and Development (OECD): general government tax structure, 2018[a]
(Percentages of total tax revenue)
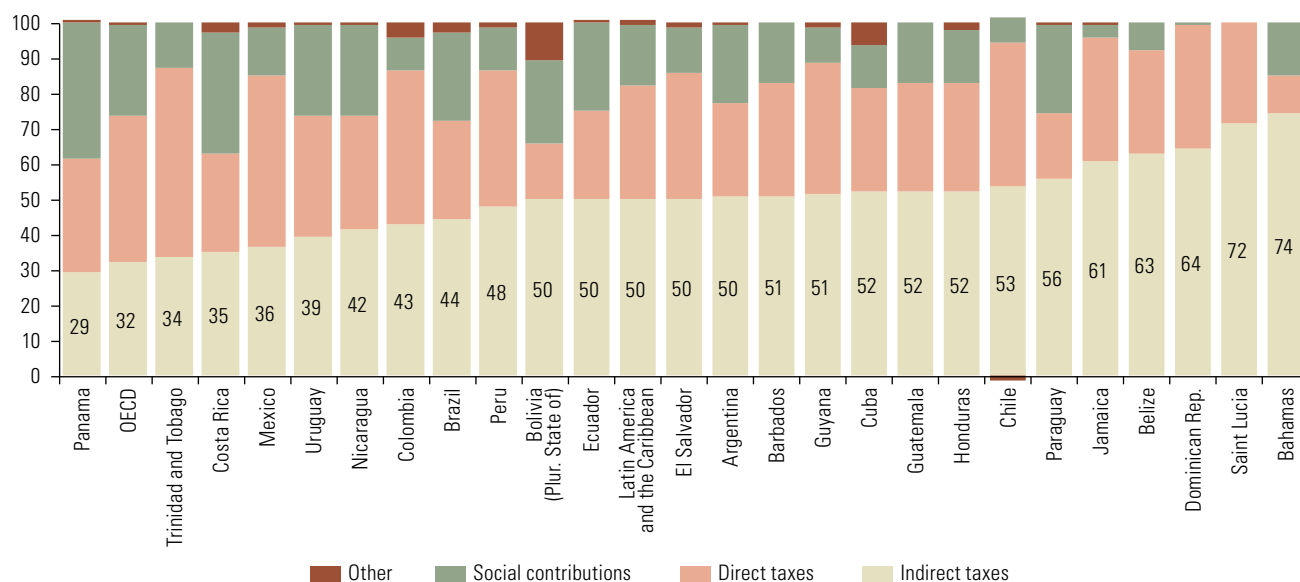
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD) and others, *Revenue Statistics in Latin America and the Caribbean 1990 -2018*, Paris, OECD Publishing, 2020.
[a] The OECD figures correspond to 2017 as disaggregated data for 2018 are not available.

Wealth and property taxes. Numerous challenges arise with regard to wealth taxes because they encompass a wide range of instruments. Collection of property tax —recognized as the main source of own revenue for subnational governments— is low on average in the region (approximately 0.3% of GDP). Another potentially significant wealth tax for improving the tax burden is the one on cost-free transfers of goods, be they donations or inheritances (0.01% of GDP on average). Taxes on net worth or wealth are rare in Latin America and the Caribbean. Currently, there are four countries in the region that have implemented a tax on net worth: Argentina (tax on personal property), Colombia (wealth tax), the Dominican Republic (tax on assets) and Uruguay (wealth tax). These instruments tax net worth —gross in the case of Argentina—, applying progressive rates —except in Colombia and the Dominican Republic, where the rate is fixed— and certain deductions (generally for a first home) or exemptions are allowed. Revenue from these taxes tends to be low, amounting to 0.1% of GDP or less in Argentina, Colombia and the Dominican Republic. In contrast, the wealth tax in Uruguay yields much more: about 1.0% of GDP. In the current context, initiatives concerning new taxes on net worth or wealth, on either a temporary or permanent basis, are emerging in Brazil, Chile, Ecuador and Peru. Some of the major issues to be resolved in connection with that tax have to do with different valuation options and overlapping with the real estate tax, which is subnational.

Public health and environment-related corrective taxes. Governments have revised selective taxes on certain consumption items in recent years on such goods as alcoholic and sugary beverages, tobacco and unhealthy foods, whose consumption causes negative externalities and is thus discouraged. Although the revenue from these taxes may be low, they can generate future savings through lower costs associated with chronic illnesses. Environment-related taxes offer similar advantages. Accordingly, specific efforts should be made to consolidate the link between vehicle taxes and environmental policies, by adapting traditional taxes and tying them in with efficient fuel consumption, emission of pollutant gases, urban planning and transport policies. Further options include the carbon tax, taxes on the use of plastic bags and on the production of polluting wastes, and the reduction or elimination of tax incentives for producing or consuming fossil fuels.

Taxing the digital economy. The rapid growth of the digital economy, spurred by the COVID-19 pandemic and compulsory lockdown measures, has produced a growing number of goods and services not envisaged in current taxation frameworks. Given the absence, thus far, of established international standards, some countries in the region are beginning to adopt measures aimed at taxing the consumption of goods and services provided via the Internet, especially by modifying the value added tax (ECLAC, 2019b). So far, no international agreement has been reached on taxing the profits associated with such consumption, although some notable efforts in that direction can be found in the *OECD/G20 Inclusive Framework on BEPS: Progress Report July 2019-July 2020*.[21]

Efforts to reduce tax evasion. Tax evasion in Latin America led to US$ 325 billion in forgone tax revenue in 2018, equivalent to 6.1% of GDP. The estimates available show tax systems in several countries generating less than half the income tax revenue they should generate (ECLAC, 2020a). At the same time, illicit financial flows are also a core concern in the region. It is estimated that outflows of capital from Latin America and the Caribbean associated with international trade misinvoicing —frequently in connection with global value chain transactions— amounted to US$ 85 billion in 2016 (1.6% of GDP) (ECLAC, 2020a). At the national level, more investment will need to be channelled to tax and customs administrations, with a view to progressing toward mass use of electronic invoicing, taxpayer segmentation strategies, the automation of records (such as sworn statements, payments and so on), information-crossing (macrodata), and measures to facilitate tax compliance via digital media. Progress also needs to be made with the adoption of the most recent international best practices, such as those established in the OECD Action Plan on Base Erosion and Profit Shifting (BEPS). At the same time, countries must push ahead with international cooperation on taxation and financial matters so as to curtail opportunities for tax evasion, especially those associated with the use of tax havens, and to ensure a minimum of tax payment by multinational enterprises generating value added in their territory.

Tax expenditures and fiscal incentives for investment. The use of preferential tax treatment is widespread in the region. The goals pursued vary: from exemptions and reduced value added tax rates for purchases of goods in basic baskets to tax incentives to foster investment. The revenue forgone as a consequence of these tax expenditures is significant, given that they averaged 3.7% of GDP between 2015 and 2019 in Latin America, but in some countries were as high as some 6% of GDP (ECLAC/Oxfam International, 2019). Rethinking those instruments could yield significant funds for strengthening social protection systems and for carrying out productive public investment projects.

Improving public expenditure. In an expansionary fiscal policy context, spending policy is becoming increasingly important. Public spending efficiency and efficacy is a key factor for identifying opportunities for the redistribution of resources needed to boost government action. Available data indicate that there is ample room to enhance public expenditure in the region (ECLAC, 2014).

Both the magnitude of the government resources directed at containing the coronavirus pandemic and the economic recovery process, as well as the diversity of the fiscal instruments that have been deployed, pose numerous fiscal and, especially, budget management challenges. Specifically, the speed with which fiscal packages were announced on a scale unprecedented in the history of the region have tested to the utmost its ability to design effective public policies to ensure that government measures reach all their intended beneficiaries, especially the most vulnerable segments of the population. Demands for accountability and transparency are mounting, in order to ensure that such measures are executed appropriately.

In that context, the more robust part played by governments in the economic recovery phase will probably need to be accompanied by a concomitant strengthening of the institutions responsible for public financial management. That is one of prerequisites for safeguarding the effectiveness and sustainability of government measures over the long term.

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21   See [online] https://www.oecd.org/tax/beps/oecd-g20-inclusive-framework-on-beps-progress-report-july-2019-july-2020.htm.

(b) Complementary strategies for covering the financing needs derived from the pandemic

While bolstering the fiscal capacity of States, the countries in the region have, at the same time, implemented a number of strategies to finance the expenditure needs arising from the pandemic. Those strategies will probably remain useful in the future by helping to sustain an active fiscal policy stance.

Budget reallocations. Many countries in the region have restructured their budget priorities for the current year in order to enhance the care capacities of their health systems. The budget categories most affected by this reallocation process have been capital expenditure —given the impossibility of executing investments during the lockdown—, wage increases, which have been put on hold, and expenditure on goods and services. Moreover, in the next budget approval cycles starting in the last quarter of the year, budgets for 2021 will probably contemplate further measures to prioritize items that will contribute to the revival of economic activity.

Sovereign wealth funds. Since the adoption of public finance sustainability laws in the 2000s, more and more countries have established sovereign savings funds designed to hold on to resources generated in times of prosperity for potential use in economic downturns. That way, countries can protect their budgets from commodity price fluctuations, finance investment projects that drive economic and social development or cover uncharted contingent liabilities in the government balance sheet, among other options. At end-2019, sovereign fund balances in Latin America and the Caribbean appeared sufficient to play a significant role in the formulation of financing strategies. In South America, total assets of the major sovereign funds represented between 0.7% and 4.4% of GDP, while in Trinidad and Tobago, the Heritage and Stabilization Fund held total resources equivalent to 27.7% of GDP (see table II.2). The financing for the Emergency Economic Plan in Chile provides for mobilizing sovereign assets in the amount of US$ 2.5 billion (1.0% of GDP). In Colombia, the 14.6 billion pesos (1.4% of GDP) of the Emergency Mitigation Fund (FOME) will be financed via loans from the Savings and Stabilization Fund (FAE) and the National Pensions Fund of the Territorial Entities (FONPET). Depending on the regulations governing those funds, they could be considered sources of funds to finance economic reactivation.

Table II.2
Latin America and the Caribbean (7 countries): asset balances of selected sovereign wealth funds, December 2019
(Billions of dollars and percentages of GDP)

	Country	Total Assets	Percentage of 2019 GDP
Fund for the Productive Industrial Revolution (FINPRO)	Bolivia (Plurinational State of)	1.200	2.9
Economic and Social Stabilization Fund (FEES)	Chile	12.233	4.4
Pension Reserve Fund (FRP)	Chile	10.812	3.9
Saving and Stabilization Fund (FAE)	Colombia	3.226	1.0
Budgetary Revenue Stabilization Fund (FEIP)	Mexico	8.405	0.7
Panama Savings Fund	Panama	1.528	2.3
Fiscal Stabilization Fund (FEF)	Peru	5.770	2.5
Heritage and Stabilization Fund (HSF)	Trinidad and Tobago	6.255	27.7

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

International capital markets. International capital markets have provided some countries with supplementary financing opportunities. However, as noted in chapter I, those markets experienced heavy losses following the global spread of COVID-19 in February 2020, prompting highly volatile conditions for accessing loans and, in the case of emerging countries, widespread market shrinkage. While conditions began to improve in 2020, it remains highly uncertain whether this will continue, while a large number of emerging countries still have high sovereign risk levels that limit their access to

markets on favourable terms. In that context, between March and June 2020, 11 countries in the region managed to place sovereign bonds in international markets, together totalling US$ 24.8 billion (see table I.5 in chapter I). Interest rates for medium-term bonds currently range between 2.450% and 5.625%, the rates obtained by Chile and Honduras, respectively. In contrast, for bonds with more than 10-year terms, the range is between 3.875% (Brazil) and 6.125% (Guatemala). That indicates that, despite the current perception of higher sovereign risk in the region, some countries are still able to access international capital markets to cover their financing needs on relatively favourable terms, in both domestic and foreign currency.

Emergency financing by multilateral financial institutions for countries in the region to tackle the COVID-19 pandemic. The International Monetary Fund (IMF) has doubled the ceiling (from 50% to 100% of quotas) on access to emergency financing granted through the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). The former is designed for low-income countries with a pressing need to raise funds to support the balance of payments, while the RFI is available to all member countries facing similar circumstances. In both cases, the speed with which these forms of financial assistance are provided enables countries to address a wide variety of urgent needs when they have limited response capacity. For countries with more solid fundamentals that are experiencing liquidity issues, IMF offers a Flexible Credit Line (FCL), which can be used in whole or in part, as needed, over a period of one or two years. Together with the World Bank and the Group of 20 (G20), IMF is also working on an initiative to suspend debt servicing that could make some US$ 12 billion available to low-income countries.

In April, the Board of Directors of the World Bank approved an exclusive rapid disbursement mechanism to respond to the COVID-19 pandemic. The first group of projects involve disbursements totalling US$ 1.9 billion distributed among 25 countries. A second package is being crafted to benefit another 40 countries via an expedited disbursement mechanism. The World Bank also allowed countries with projects under execution to redirect part of the current funds to address needs relating to the pandemic. Overall, the Bank expects to disburse around US$ 160 billion over the next 15 months to support measures to combat the COVID-19 pandemic.

As regards Latin America and the Caribbean, the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI) and the Development Bank of Latin America (CAF) have made emergency lines of credit available to member countries. At end-March 2020, IDB approved a special US$ 3.2 billion increase for its lending programmes, taking the total amount to US$ 12 billion for 2020. These funds will be channelled into public health, the strengthening of social security networks for vulnerable segments of the population, the promotion of economic productivity and employment and the design of fiscal policies to mitigate the economic effects of the pandemic. IDB also decided to reprogramme the existing portfolio of health projects in order to confront the crisis and countries will be allowed to request the redeployment of resources in the current project portfolio. In addition, in early June 2020, the Board of Executive Directors of IDB decided to expand coverage of risks under its Contingent Credit Facility for Natural Disaster Emergencies (CCF) to include public health and COVID-19-related risks. As a result, the countries in the region may request up to US$ 90 million or the equivalent of 0.6% of their GDP, whichever is less. For the private sector, IDB Invest announced the mobilization of US$ 5.5 billion to finance investment projects. Of that, US$ 500 million will be allocated to the small and medium-sized enterprises sector.

Lastly, the Board of Directors of CABEI established the COVID-19 Emergency Support, Preparedness and Economic Reactivation Programme in late March 2020. This scheme will channel US$ 2.36 billion into tackling the health emergency and strengthening the regional economy. CAF established the Regional Contingent Credit Line for Countercyclical Support for the Emergency caused by COVID-19 of up to US$ 2.5 billion and authorized the reallocation of funds not yet disbursed under existing loans.

So far, 16 Latin American and 9 Caribbean countries have received emergency financing from one or more of the aforementioned institutions to confront the COVID-19 pandemic and reactivate the economy, in an amount totalling the equivalent of 2.6% of GDP in 2019 (see figure II.15). In addition, IMF has provided Flexible Credit Lines (FCLs) to four countries in the region through a new agreement with Colombia for US$ 10.8 billion, approval of new lines for Chile and Peru in the amount of US$ 23.8 billion and US$ 11 billion, respectively, and an already existing line for Mexico for US$ 61.4 billion.

Figure II.15
Latin America and the Caribbean (25 countries): emergency financing by multilateral financial organizations to help contain the spread of the coronavirus disease (COVID-19) pandemic and reactivate the economy, 2020
(Percentages of 2019 GDP)

A. Latin America (16 countries)
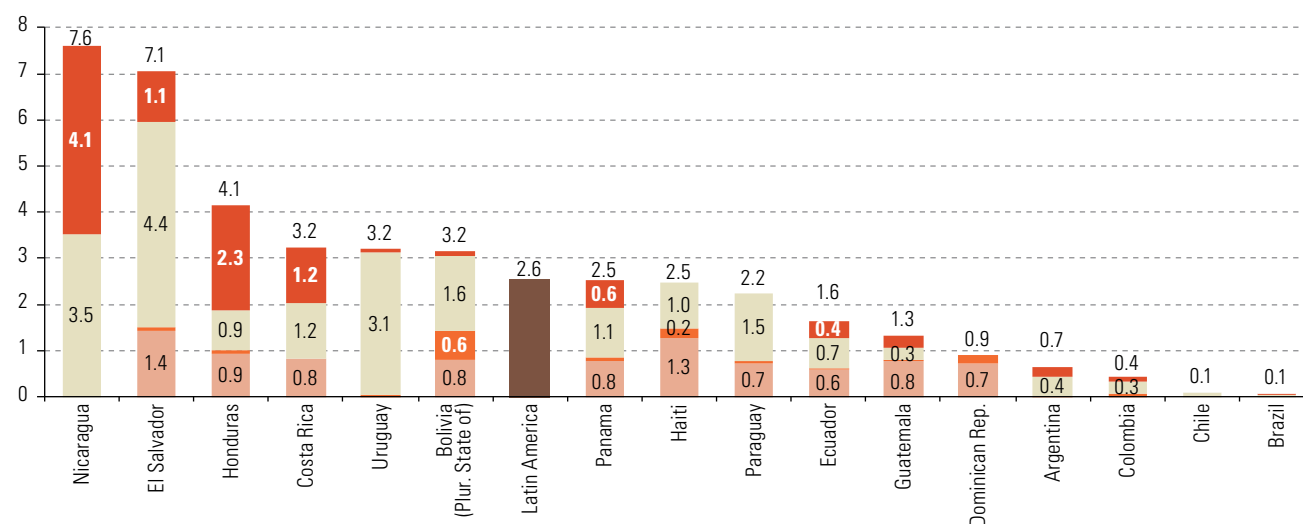
B. The Caribbean (9 countries)

Legend: Other | IDB | World Bank | IMF

(c) International cooperation in developing a worldwide financial structure for promoting sustainable development

Active international cooperation is needed to boost the efforts by countries in the region to confront the pandemic and reactivate their economies, in addition to the measures described above for financing active fiscal policy. This requires liquidity to be expanded for middle- and low-income countries and an inclusive worldwide financial structure focusing on promoting sustainable development.

Accordingly, a primary objective should be to promote implementation of measures geared to expanding the liquidity available to meet the financing needs of middle- and low-income countries. The issuing of Special Drawing Rights (SDRs) by IMF would help to expand global liquidity and bolster countries' international reserves. Alongside that, a fund or special-purpose vehicle should be set up to enable countries that do not use the additional SDRs to set part of them aside, on a voluntary or temporary basis, to strengthen the financial capacity of regional financial agreements and other institutions, such as regional development banks.

Also needed is a commitment by the international financial community and, specifically, by the G20, to capitalize multilateral financial organizations to enable them to meet the demand for financing that, in the case of developing economies, amounts to US$ 2.5 trillion, according to IMF. However, that institution's lending capacity is US$ 1 trillion.

Another necessary measure is relief of the debt and debt-servicing burden for highly-indebted low- and middle-income countries, where that burden limits their capacity to respond to the pandemic and reactivate their economy. Accordingly, the Debt Service Suspension Initiative should be expanded to include middle-income countries. Consideration could also be given to such options as debt-for-climate-action swaps. The establishment of regional resilience funds could supplement the financing of projects and infrastructure for climate change adaptation. Another option is to establish natural disaster clauses as part of the standards required by international financial institutions and private creditors for the issuance and restructuring of debts of both low- and middle-income countries vulnerable to natural disasters.

Complementing the above, international cooperation partners should adjust their criteria for granting official development assistance and financing on favourable terms, in order to measure the obstacles to development that countries face because of structural gaps, and not only on the basis of per capita income.

Another important item pending on the international development agenda is the establishment of an international mechanism for an orderly restructuring of sovereign debt, geared to reducing uncertainty and the risks involved in debt renegotiation processes. The way credit rating agencies assess these restructurings also needs to be re-examined, in order to preclude negative bias in the countries' credit ratings during the restructuring process.

This ambitious agenda would enhance the support provided through international cooperation and generate mechanisms that contribute to sustainable development.

C. Latin America and the Caribbean confronting COVID-19: conditioning factors on monetary and exchange rate policies, and on capital and macroprudential regulation in the post-pandemic period

Introduction

In the current situation, the region's countries are facing a variety of challenges, such as stimulating aggregate demand to prevent their economies from collapsing, managing the pressures generated by the external shock on their foreign exchange and monetary frameworks, and adequately managing financial flows to make fiscal and monetary policies more effective, while also addressing their economies' external vulnerabilities.

This section examines the main conditioning factors that monetary policy will face in meeting these challenges in the post-pandemic era, in particular to sustain expansionary monetary policies and preserve macrofinancial stability.

The region's central banks have adopted a mix of conventional and unconventional policies to expand liquidity and ease financial conditions in their economies, with a view to mitigating the effects of the crisis on household living conditions and on firms' production capacities. An additional task that central banks have taken on in the present juncture has been to help finance the fiscal expansion. Owing to the scale of the current crisis, the fiscal and monetary authorities have coordinated their actions in an attempt to implement and maintain expansionary policies that stimulate domestic aggregate demand and lay the foundations for an inclusive, continuous and sustainable recovery process in the economies across the region.

The volatility displayed by financial flows during the first half of 2020 reveals the persistence of systemic risks that could compromise financial stability in the region's economies, thereby making a future recovery process in the countries in question even more difficult. Accordingly, macroprudential tools combined with the regulation of capital flows should be deployed to underpin financial stability and expand the space for countercyclical macroeconomic policies. In general, the countries of Latin America and the Caribbean have long experience in the use of macroprudential instruments; and they have an arsenal of measures that can be applied more intensively to mitigate financial risks and protect macroeconomic stability.

The scope of macroprudential regulation needs to be broadened, to avoid underestimating the adverse effects of capital outflows, which have tended to be more volatile in the last decade. Attention should also be paid to the changes taking place in financial markets in which institutional investors have recently gained major importance. Financial market regulation should prioritize a macroprudential approach in order to bolster the resilience of the financial system as a whole.

International cooperation will be essential throughout this process. Cooperation is needed to help expand the policy space available to authorities in the region; but the institutions that make up the international financial architecture also need strengthening to enable individual actions to be effectively coordinated, with a view to achieving a better global balance. Greater international cooperation would make it possible to coordinate

efforts to increase the effectiveness of capital flow regulation and its inclusion in the macroprudential framework, since the specific conditions pertaining to each country must be taken into account. In addition, more and better cooperation is needed to sustain the expansionary policies that will be needed to boost the recovery of the region's economies. Regional and global entities that can provide greater financing capacity must be capitalized.

This section starts by analysing the main measures (both conventional and unconventional) adopted by those responsible for monetary policy in the region, to apply expansionary monetary policies and thereby try to prevent aggregate demand from collapsing. It also notes the steps that have been taken by the authorities to address exchange rate volatility and increase the resilience of their financial systems in the current situation. It then goes on to discuss the need for capital flow and macroprudential regulation to reduce risk and expand the policy space. This section also documents the region's wide-ranging experience in using the tools of capital flow and macroprudential regulation. The third part underscores the importance of international cooperation to enhance individual actions in this area. It also stresses the need to strengthen the financial capacity of the institutions that make up the global financial architecture, in order to help the countries create space for expansionary policies. In addition, it highlights the need to institutionalize the channels through which cooperation operates.

1.   The monetary authorities have adopted a pragmatic approach and implemented both conventional and unconventional expansionary policies

The eruption of the COVID-19 crisis has caused a sharp deterioration in external, real economic and financial conditions. This has brought many activities in the region's countries to a halt, thus generating a sharp contraction in domestic aggregate demand.

To respond to this situation, the monetary authorities have had to rethink their policy actions and focus on mitigating the adverse effect of the crisis on their economies, in order to prevent the slump in aggregate demand from being compounded by a credit crisis or a financial crisis, or both. To this end, the monetary authorities have opted to promote expansionary monetary policies to prevent liquidity problems from compounding the difficulties being faced by households, businesses and financial institutions. In addition to these traditional central bank tasks, however, there is an urgent need to contribute to financing the expansionary fiscal action required, as described in the previous section of this chapter.

(a) Central banks have deployed conventional instruments to expand liquidity

The first measures announced by the region's central banks were of a conventional type, mainly consisting of reductions in monetary-policy interest rates in various of the region's economies. Of the 11 countries that operate inflation targeting regimes, where the monetary policy rate is the authorities' main liquidity management tool, 10 cut their policy rate (see table II.3). Only Jamaica has left its policy rate unchanged, which was at the extremely expansionary level of 0.5% in late July.

	Economies that operate inflation targeting		Economies that control monetary aggregates		Economies with fixed exchange rates			Economies with other arrangements
	Flexible exchange rate	Intermediate exchange rate	Flexible exchange rate	Intermediate exchange rate	US dollar used as domestic currency	Local issuance	Intermediate anchor	
Monetary policies: conventional								
Central banks that cut their benchmark rate	Brazil	Costa Rica				Antigua and Barbuda		
	Chile	Guatemala				Dominica	Barbados	
	Colombia	Honduras				Grenada	Trinidad and Tobago	
	Mexico	Dominican Republic	Argentina			Saint Kitts and Nevis		
	Paraguay					Saint Vincent and the Grenadines		
	Peru					Saint Lucia		
Central banks that announced changes in reserve requirements	Brazil	Costa Rica	Argentina	Bolivia (Plurinational State of)			Barbados	Haiti
	Chile	Guatemala	Uruguay		El Salvador		Trinidad and Tobago	Venezuela (Bolivarian Republic of)
	Jamaica	Honduras						
	Colombia	Dominican Republic						
	Paraguay							
	Peru							
Central banks that announced special measures to inject liquidity into the financial system	Brazil							
	Chile	Costa Rica	Argentina	Bolivia Plurinational State of)			Barbados	Haiti
	Colombia	Guatemala						
	Jamaica	Honduras						
	Mexico	Dominican Republic						
	Paraguay							
	Peru							

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

Many countries have cut their interest rates more than once. Between March and July, three countries (Colombia, Mexico and Paraguay) lowered their monetary policy rate four times; two countries (Brazil and Guatemala) reduced it three times; and three (Chile, Costa Rica and Peru) lowered their policy rate twice. This demonstrates the central banks' intention to stimulate aggregate demand by increasing liquidity; and the measure has been used both to prevent the slump in activity from deepening and to launch a recovery process. These successive rate cuts have brought monetary-policy rates down to historically low levels —close to zero in some cases (Chile and Peru).

It should be noted that the benchmark monetary-policy rate has also decreased in countries that operate monetary and exchange rate regimes in which interest rates are not the main instrument. For example, Argentina, which targets monetary aggregates, lowered the interest rate on its liquidity notes. In countries that have fixed exchange rates, the interest rates on their monetary management instruments have also fallen, examples being Barbados and Trinidad and Tobago. Within this group, the Eastern Caribbean Currency Union (ECCU) countries lowered their discount rate after it had been unchanged for 17 years. Another mechanism that has been widely used to increase liquidity in the region's different economies is a reduction in legal reserve rates (reserve requirements). Although this instrument is one of the conventional central-bank tools, changes in reserve ratios are seldom used to expand monetary liquidity. Legal reserve ratios were reduced in economies that use monetary aggregates as their main monetary policy instrument

(Argentina, the Plurinational State of Bolivia and Uruguay); and also in economies that have fixed exchange rates (Barbados, El Salvador, and Trinidad and Tobago), and in those with other types of monetary arrangements (the Bolivarian Republic of Venezuela and Haiti). Several countries that pursue inflation targeting also decided to reduce their required reserve ratios to complement measures aimed at expanding monetary liquidity (Brazil, Colombia, Costa Rica, Honduras, Jamaica, Paraguay, and Peru).

In addition to lowering reserve requirements, the monetary authorities have also eased liquidity constraints for financial institutions by changing the way in which required reserves can be constituted. In some countries, the type of assets considered eligible was made more flexible by allowing foreign currency (Chile) or government bonds (Guatemala and the Dominican Republic). Elsewhere, in Argentina certain types of targeted loan have been deducted from the reserve requirement; and, in Brazil, liquidity has been increased through the buyback of financial notes (*letras financeiras*).

Moreover, the region's central banks have strengthened their mechanisms for injecting liquidity into financial institutions, notably by increasing their participation in the overnight interbank credit markets, and by expanding operations to inject liquidity through repurchase (repo) and discount (rediscount) instruments held by financial institutions. Measures deployed in the current situation include amendment of the maturities of loans made to financial institutions (Barbados, Chile, Dominican Republic, Guatemala, Honduras, Jamaica, Mexico and Peru); changes to the maximum amounts that can be mobilized through the overnight interbank market (Chile, Colombia, Dominican Republic, Guatemala, Jamaica, Mexico and Peru); the reactivation (creation) of emergency credit lines (Chile, Colombia, Dominican Republic, Guatemala, Jamaica, Paraguay and Peru); and the inclusion of new agents or financial instruments in liquidity assistance programmes (Colombia, Costa Rica, Dominican Republic, Peru and the Plurinational State of Bolivia). Special measures have also been adopted to guarantee the supply of cash to the public (Argentina and Guatemala); steps have been taken to suspend auctions of public securities (treasury bills and central bank bonds) to financial institutions (Honduras); and reductions in the costs arising when financial institutions incur potential liquidity shortages.

(b) Unconventional policies have been integrated into the toolbox of instruments deployed by the region's central banks to expand liquidity

The historic slump in domestic aggregate demand across the region has elicited a pragmatic response from the region's central banks, which have implemented expansionary policies; and less conventional methods to expand liquidity and increase financing to sectors considered priorities have been added to the conventional toolbox (see table II.4).

Some of these methods have been used before in developed economies; but they undoubtedly represent a change in the way the region's authorities conduct monetary policy. For example, the region's central banks have announced purchases of securities held by commercial banks; and while this is not intended to replace benchmark interest rates as the main policy tool, it is similar to strategies such as "quantitative easing", which has been used in developed economies since the global financial crisis. Under this strategy, central banks expand their balance sheets by purchasing financial assets (both public and private) from financial institutions to boost the latter's liquidity.

With measures of this type, the central bank makes it easier for financial institutions to extend credit to the public sector and firms, by freeing up resources that were tied up in public-sector and private-firm securities. This type of policy has been employed by the central banks of Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Mexico, Guatemala, Peru and the Plurinational State of Bolivia. In some cases (the Dominican Republic and the Plurinational State of Bolivia), this type of strategy has been extended to non-bank financial institutions, such as pension funds.

Table II.4
Latin America and the Caribbean: main conventional monetary policy measures adopted during the COVID-19 crisis

	Economies that operate inflation targeting		Economies that control monetary aggregates		Economies with fixed exchange rates			Economies with other arrangements
	Flexible exchange rate	Intermediate exchange rate	Flexible exchange rate	Intermediate exchange rate	US dollar used as domestic currency	Local issuance	Intermediate anchor	
Unconventional monetary policies								
Central banks that announced the purchase of public and private securities held by financial institutions	Brazil							
	Chile	Costa Rica		Bolivia (Plurinational State of)				
	Colombia	Guatemala						
	Mexico	Dominican Republic						
	Paraguay							
	Peru							
Central banks co-financing public-sector credit programmes	Brazil						Bahamas	
	Chile	Costa Rica	Argentina			Antigua and Barbuda	Barbados	Haiti
	Colombia	Guatemala	Uruguay		El Salvador	Dominica	Belize	
	Jamaica	Honduras			Panama	Grenada	Guyana	
	Mexico	Dominican Republic				Saint Kitts and Nevis	Trinidad and Tobago	
	Paraguay					Saint Vincent and the Grenadines		
	Peru					Saint Lucia		
Central banks providing direct financing to the public sector	Paraguay	Guatemala		Bolivia (Plurinational State of)		Antigua and Barbuda		Venezuela (Bolivarian Republic of)
		Dominican Republic				Dominica		
						Grenada		
						Saint Kitts and Nevis		
						Saint Vincent and the Grenadines		
						Saint Lucia		

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

Given the institutional changes introduced in the 1990s and early 2000 decade in the context of counter-inflationary policies, this type of instrument can only be used to inject liquidity if a state of economic emergency has been declared; and legislative amendment is even needed in some of the region's countries (Brazil and Chile).

The region's central banks are also co-sponsoring credit programmes launched by the public sector to meet the financial needs of households and businesses during the pandemic. This takes a variety of forms: in some cases (Argentina, the Dominican Republic and the Plurinational State of Bolivia) the central bank is providing credit directly to certain sectors defined as strategic; in others (Brazil, Chile, Colombia, Dominican Republic, Mexico, Paraguay and Peru) the central bank serves as guarantor of these credit programmes. In the ECCU countries, the central bank has signed a programme with the International Finance Corporation (IFC), which is part of the World Bank Group, to co-finance loans to small and medium-sized enterprises.

Some of the region's central banks are directly financing an expansion of public spending to combat the pandemic and mitigate its effects. This group includes some in inflation-targeting countries, such as the Dominican Republic, Guatemala and Paraguay; and also countries such as the Plurinational State of Bolivia that use monetary aggregates as the main instrument, and the ECCU countries which have a dollar-based currency board system.

The central banks also usually finance Treasury actions by transferring revenues obtained from monetary issuance (seigniorage and inflation tax). Although this form of financing is generally quite small, it has been used consistently to finance fiscal deficits in a number of countries, including Argentina, the Bolivarian Republic of Venezuela and Haiti, and more recently Suriname.

It is also worth noting that the various measures adopted by the central banks have succeeded in increasing liquidity. This has enabled them to mitigate the effects of the crisis on aggregate demand; but additional efforts will be needed to promote the recovery phase in the region's economies.

(c) Central banks have strengthened their policies to mitigate exchange rate volatility

As a result of heightened exchange rate volatility in the region, central banks have boosted their actions to underpin macrofinancial stability.

In general, central bank intervention in the foreign-exchange markets, buying or selling foreign currency, along with changes in interest rates and foreign-exchange regulation are the tools used for this purpose. In a context like the current one, where interest rates have been lowered, the region's central banks have made very active use of their reserves. Even those with more flexible exchange rate regimes have announced changes in their policies for intervening in the foreign exchange market. Again, the tools are diverse in that they include both increases in intervention amounts (purchases and sales) or an extension of the terms under which these interventions will be applied (Brazil, Chile, Colombia, Dominican Republic, Guatemala, Jamaica, Mexico, and Peru). Other instruments have also been used to provide foreign-currency liquidity such as forward markets and financial swaps (Brazil and Colombia) (see table II.5). While the exchange rate flexibility that exists in these countries helps cushion the effects of the external shock, excessive exchange rate volatility could fuel macrofinancial instability in their economies and stoke potential inflationary pressures.

Table II.5
Latin America and the Caribbean: main exchange rate policy actions during the COVID-19 crisis

	Central banks (exchange rate regime)	
	Flexible exchange rates	Intermediate exchange rate
Central banks that announced increased intervention in the market	Brazil	
	Chile	
	Colombia	Guatemala
	Jamaica	Dominican Republic
	Mexico	
	Peru	
Central banks with swap agreements or credit lines with external agencies	Brazil (with the United States Federal Reserve Board (Fed))	
	Chile (with the International Monetary Fund (IMF))	Dominican Republic (with the Fed)
	Colombia (with IMF)	
	Mexico (with IMF and the Fed)	
	Peru (with IMF)	

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

The region's central banks have attempted to bolster their reserve position by increasing external borrowing, which, in conjunction with the reduction in imports, has made it possible to increase international reserves in the region. In this connection, the central banks of Chile, Colombia, Mexico and Peru have reached agreements with IMF through the flexible credit line to make additional resources available if needed in amounts exceeding 3% of these countries' GDP.

Countries such as Brazil, Dominican Republic and Mexico have also reached similar agreements with the Board of Governors of the United States Federal Reserve to make foreign currency available should it be needed. In these cases, the credit lines granted could also represent more than 3% of these countries' GDP. In addition, the Fed extended the repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility) until March 2021, to enable countries to access short-term liquidity.

As noted in the first chapter, several countries have gained access to emergency financing facilities granted by multilateral organizations in the current situation. These funds would allow the countries in question to finance additional fiscal spending; but they also imply a greater availability of international reserves when the spending being financed is targeted on the domestic economy. This emergency financing has benefited many countries that base their monetary and foreign-exchange arrangements on a fixed exchange rate.

(d) Measures to enhance the resilience of the financial system

The damage done to the economy by the pandemic has caused incomes to fall and cash flows to dwindle. This compromises the ability to pay, and thus impairs the quality of financial institutions' credit portfolios. Regulators have reacted to this situation by adjusting the rules, partly to allow credit payments to be deferred and thus prevent debtors from defaulting, but also to prevent creditors having to downgrade their portfolio quality and thus have to make provisions for potential losses.

Similarly, the rescheduling and restructuring of nonperforming loans was also encouraged throughout the region. In some cases, the deadlines for banks to declare their portfolio in arrears to the regulatory bodies have been extended; and greater flexibility has been encouraged in charging penalty interest on overdue loans, along with changes in the risk thresholds for establishing provisions in certain sectors. Table II.6 lists the countries that have amended their banking regulations to prevent the performance of financial institutions being affected by deteriorating loan portfolios.

Table II.6
Latin America and the Caribbean: countries that adopted actions to increase the resilience of their financial systems during the COVID-19 crisis

| | Economies that operate inflation targeting | | Economies that control monetary aggregates | | Economies that have fixed exchange rates | | | Economies that have other arrangements |
	Flexible exchange rate	Intermediate exchange rate	Flexible exchange rate	Intermediate exchange rate	US dollar used as domestic currency	Local issuance	Intermediate anchor	
				Macroprudential policies				
Countries that adopted new measures to enhance the resilience of financial systems	Brazil						Bahamas	
	Chile	Costa Rica	Argentina			Antigua and Barbuda	Barbados	Haiti
	Colombia	Guatemala	Uruguay		El Salvador	Dominica	Belize	Venezuela (Bolivarian Republic of)
	Jamaica	Honduras			Panama	Grenada	Guyana	
	Mexico	Dominican Republic				Saint Kitts and Nevis	Trinidad and Tobago	
	Paraguay					Saint Vincent and the Grenadines		
	Peru					Saint Lucia		

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

2.   Financial instability, and capital flow and macroprudential regulation in times of crisis

The health crisis caused by COVID-19 and its impact on the real economy, together with the high levels of uncertainty it provoked, triggered massive and unusually rapid capital outflows from emerging economies generally, including from countries in the region.[22] Although the pandemic has brought economic activity to a standstill, and restrictions have been imposed on the movement of goods, services and people, capital flows still remain highly mobile and volatile. This volatility imposes additional constraints on the external financing of Latin American and Caribbean countries while increasing their exposure to systemic risks arising from financial instability.

In this context, and as occurred in the wake of the global financial crisis of 2008, capital flow and macroprudential regulation offers opportunities to mitigate systemic risks by promoting financial stability, while providing more space to implement countercyclical macroeconomic policies. This part of the chapter describes how macroprudential regulation, including regulation of capital flows, can be an appropriate policy option in the current circumstances.[23] Drawing on some key evidence, it highlights the region's experience in the use of macroprudential tools, and the availability of a wide range of instruments that could be useful for mitigating financial risks and vulnerabilities, as well as to promote macroeconomic stability.

(a) The elevated volatility of financial flows suggests that systemic risks are persistent and can undermine financial stability and further aggravate the countries' recovery process

Recent experience, involving massive financial outflows from emerging markets following the COVID-19 outbreak, highlights the procyclicality of the financial system, which is a major source of systemic risk for the region. In the current context, several countries continue to face significant external financing needs, sometimes associated with meagre international reserves and conditions of access to financial markets that are limited or costly, or both, while trying to prevent such financing from drying up.

Although international financial markets have recovered since the start of the pandemic, the improvement is in stark contrast with the great uncertainty surrounding the evolution of the real economy.[24] This decoupling between the financial and the real sectors indicates that systemic risks persist, should investor optimism decline, for example, if the pandemic cannot be controlled or the slump in output deepens, or both.

Thus, the authorities' response capacity in the face of new and immediate capital flight could be limited, particularly under inflexible exchange rate arrangements. Domestically, potential insolvencies among highly indebted households and firms, in periods of sharp economic contraction, could test the resilience of the banking system. The channels of transmission from the real to the financial sector, and vice-versa, underscore the challenges faced by the authorities in regulating capital movements, to respond to both external pressures and mitigate systemic risks and the impact of an eventual financial shock, and rising domestic tensions and to preserve macroeconomic stability.

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[22]   Owing to the shock caused by the COVID-19 pandemic, emerging markets have experienced capital outflows totalling more than US$ 100 billion —twice as much (relative to GDP) as during the global financial crisis of 2008, and over a short period of time (IMF, 2020c). Moreover, the region's financial panorama has also deteriorated significantly (ECLAC, 2020b).

[23]   The specialist literature uses equivalent concepts such as capital control, capital management technique and capital flow management. The latter is used in the IMF institutional view on capital flows (see IMF, 2012).

[24]   See IMF Global Financial Stability Report Update (June, 2020e).

The volatility and procyclicality of capital flows is not a recent phenomenon, but it has become more pronounced in recent decades. Table II.7, which includes a simple measure of how volatile gross financial flows in the region have been, shows that volatility has affected the functional categories of the financial account of the balance of payments indiscriminately: direct investment, portfolio investment and other investments.[25]

Table II.7
Latin America and the Caribbean (31 countries):[a] volatility of gross financial flows, 2000–2019

Gross capital flows	2000–2009			2010–2019		
	Average *(percentages of GDP)*	Standard deviation *(percentages)*	Coefficient of variation	Average *(percentages of GDP)*	Standard deviation *(percentages)*	Coefficient of variation
Inflows[b]						
Direct investment	2.08	1.095	0.47	2.34	1.097	0.48
Portfolio investment	0.33	0.64	1.466	0.57	0.84	1.104
Other investments[c]	0.63	1.89	1.155	0.80	1.46	1.378
Outflows[d]						
Direct investment	0.07	0.14	0.967	0.17	0.31	1.010
Portfolio investment	0.14	0.33	1.563	0.24	0.37	1.664
Other investments[c]	0.69	0.94	1.066	0.55	1.09	1.411

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.
[a] Antigua and Barbuda, Argentina, Barbados, Belize, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Uruguay.
[b] Gross capital inflows correspond to "net incurrence of liabilities" as defined in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) published by IMF.
[c] The other investments category includes mainly trade credits, loans, currency and deposits and other assets and liabilities.
[d] Gross capital outflows correspond to "net acquisition of financial assets" (BPM6).

It is worth noting that financial outflows, including foreign direct investment (FDI), became even more volatile in the period under review. In 2010–2019 the coefficient of variation, of capital outflows increased by 1.01 in the case of direct investment, by 1.7 for portfolio investment and by 1.4 for other investments.

The volatility of capital movements, together with the unprecedented characteristics of the current crisis, constitute circumstances that encourage and legitimize the use of all available policy tools, beyond conventional macroeconomic policies, to maintain access to external financing sources, avert systemic risks of financial instability and preserve macroeconomic stability.

(b) Macroprudential tools should be used in conjunction with capital flow-regulation to safeguard financial stability and provide additional space to implement countercyclical macroeconomic policies

As happened in the global financial crisis of 2008, the current crisis has once again revealed significant flaws in the architecture of the global financial system. It has also highlighted the need for regulators to have an appropriate set of macroprudential policies to deal with highly risky financial flows that can generate financial instability and disrupt macroeconomic stability through their impact on the reactivation of aggregate demand.

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[25]   For a more detailed analysis on the volatility of financial flows see ECLAC (2019a).

In these circumstances, capital flow regulation can be useful to mitigate the risks arising from the volatility of capital flows and to increase the resilience of the financial system. In fact, capital flow regulation and macroprudential measures tend to respond to the same causes in order to promote financial stability.

Capital flow regulation is thus linked to macroprudential regulation and provides a continuum of complementary tools to respond to domestic pressures and underpin the soundness of the banking system, while alleviating the external pressures exerted by cross-border financial flows with destabilizing effects on the countries. Ostry and others (2011) show that countries that implemented macroprudential and capital account regulatory policies increased their economic resilience during the 2008 global financial crisis and mitigated the fall in GDP.

Similarly, the regulation of capital flows combined with macroprudential regulation seeks to foster macroeconomic stability by reducing the frequency of occurrence and severity of financial crises (Korinek and Sandri, 2016). In general, the evidence shows that countercyclical management of capital flows can and should be deployed to safeguard financial stability and preserve monetary-policy autonomy (Erten, Korinek and Ocampo, 2019).[26] An important assumption behind this policy recommendation is that capital flow regulation can effectively protect an economy from global financial cycles by preventing volatile international flows occurring within and outside the countries.

The 2008 global financial crisis once again demonstrated the negative effects of instability in the financial system, either through its procyclicality or through indirect effects generated by the interconnectedness of financial institutions. The consequent regulatory reform that was launched aimed to strengthen the role of macroprudential regulation by designing a new set of instruments (for example, defining countercyclical capital buffers) and both national and international institutions (BIS, 2018). This has resulted in a significant increase in the use of macroprudential tools compared to the years before the global financial crisis (Alam and others, 2019).

Macroprudential regulation pursues the following objectives: (i) prevent an excessive accumulation of risks, resulting from external factors and market failures, in order to smooth the financial cycle (time dimension); (ii) increase the resilience of the financial sector and limit contagion effects (cross-sectional dimension); and (iii) foster a comprehensive view of the financial system to create appropriate incentives for market participants (structural dimension).

For emerging economies in particular, recent empirical evidence shows that macroprudential regulation can significantly cushion the impact of global financial shocks. When global financial conditions tighten, as would happen if global risk aversion were suddenly to increase in the wake of the pandemic, a stricter level of macroprudential regulation reduces the sensitivity of GDP growth to movements in risk premia and capital flow shocks.[27] It also makes it possible to use monetary policy to provide a countercyclical response to global financial shocks. This analysis forms part of the increasing efforts made in the specialist literature in recent years to demonstrate the effectiveness of macroprudential measures, and to show that they provide the space needed to implement countercyclical macroeconomic policies.[28]

Given the connection that exists between the financial and business cycles, the prudential regulation of capital flows tends to be included among countercyclical macroeconomic policy options pursuing macroeconomic stability and fostering growth and investment, among other objectives. The current external financing conditions can

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[26]   Among other aspects, these authors make an assessment of empirical evidence on how effective capital flow regulation is in responding to the externalities identified theoretically, and thus in reducing financial fragility and improving macroeconomic stability.

[27]   Conversely, if regulation is less stringent, an increase in global risk aversion, as measured by the VIX volatility index, or a sudden capital outflow tends to impair economic growth significantly in emerging economies (IMF, 2020d).

[28]   See the review of the theoretical and empirical literature contained in Galati and Moessner (2018).

generate pressures to implement procyclical macroeconomic policies, as in the case of monetary policy, to curb volatile capital inflows or outflows. The same situation tends to be replicated in foreign-exchange policy, as noted above. In particular, exchange rate volatility and the depreciation of local currencies at times of crisis can exert downward pressure on real wages, which is associated with contractionary effects on aggregate demand.

Just as the global financial crisis enabled progress to be made in macroprudential regulation, the current crisis and the prospects for economic reactivation should serve to revive interest in capital flow regulation as a tool of macroprudential policy included in the conventional macroeconomic policy toolbox.[29]

(c) The countries of Latin America and the Caribbean have long experience in the use of macroprudential instruments and have an arsenal of measures that can be deployed more widely to mitigate financial risks and protect macroeconomic stability

The region has increasingly used macroprudential instruments to moderate the procyclicality of financial systems and mitigate systemic risks.[30] However, experiences reveal differences in how macroprudential tools and capital flow regulation are applied; and this provides greater flexibility to adapt them to the macroeconomic conditions prevailing in each country.

An analysis of capital flow regulation shows that most of the region's countries have implemented measures of some type. Figure II.16 compares the capital flow regulation measures that were adopted by the region's countries in 2000 and 2018.

Figure II.16
Latin America and the Caribbean (29 countries):[a] proportion of countries that applied capital flow regulation measures, 2000 and 2018
(Percentages)
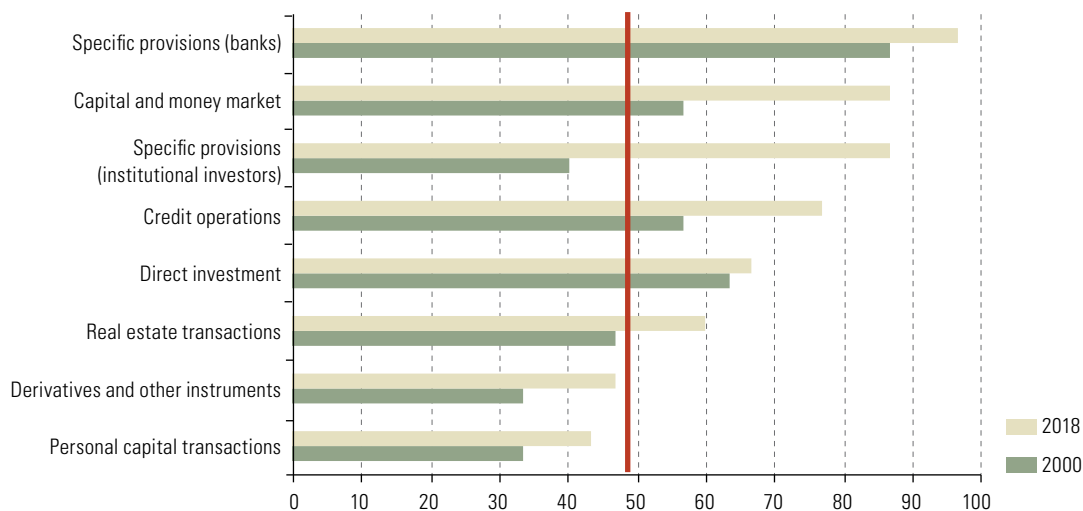
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "AREAER Online" [online] https://www.elibrary-areaer.imf.org/Pages/ChapterQuery.aspx.
[a] Argentina, Barbados, Belize, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Uruguay.

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[29]   From this perspective, the IMF is preparing a proposal to assess the possibility of including capital flow regulation in an integrated framework that also encompasses macroeconomic and financial policies. See [online] https://blogs.imf.org/2020/07/13/toward-an-integrated-policy-framework-for-open-economies/.

[30]   Central banks consider that macroprudential regulation should focus on reducing systemic risk in the financial system, as in the cases of Argentina, Brazil, Chile, Paraguay, Peru, the Plurilateral State of Bolivia and Uruguay. Between 2010 and 2011 financial stability councils were set up in Chile, Mexico and Uruguay.

Capital transactions are classified in eight categories, including the following: capital- and money market-oriented measures (covering equity instruments, bonds, money-market instruments, collective investments in securities), derivatives, credit operations (commercial and financial credits), and an additional category related to specific provisions targeting the financial sector (commercial banks and other credit institutions as well as institutional investors such as pension funds and insurance).

There is a rising trend in the use of capital flow-regulation measures in the region's countries in most capital transaction categories. In particular, intervention in the capital and money market category is widespread —57% of the countries analysed intervened in 2000, and in 87% of them in 2018. Similarly, the proportion of countries implementing measures related to specific provisions targeting the financial sector increased: among banks and other credit institutions, the proportion rose from 87% to 97% between 2000 and 2018; and in the institutional-investor sector, the increase was remarkable, rising from 40% to 87% in the same period.

This latter trend underscores the macroprudential dimension of capital flow regulation targeted on segments that are potentially risky for financial stability; and it shows that the actions in question aimed to regulate the banks on a sustained basis through time. Moreover, the fact that they included measures targeting institutional investors (such as pension funds) shows that the countries are increasingly concerned about the risks that institutional investors could generate, given their more active participation in the financial markets in recent years. Figure II.17 shows trends in the measures implemented in the region with respect to capital inflows and outflows.

Figure II.17
Latin America and the Caribbean: trends in capital flow regulation measures, 2000–2018
(Number of measures)
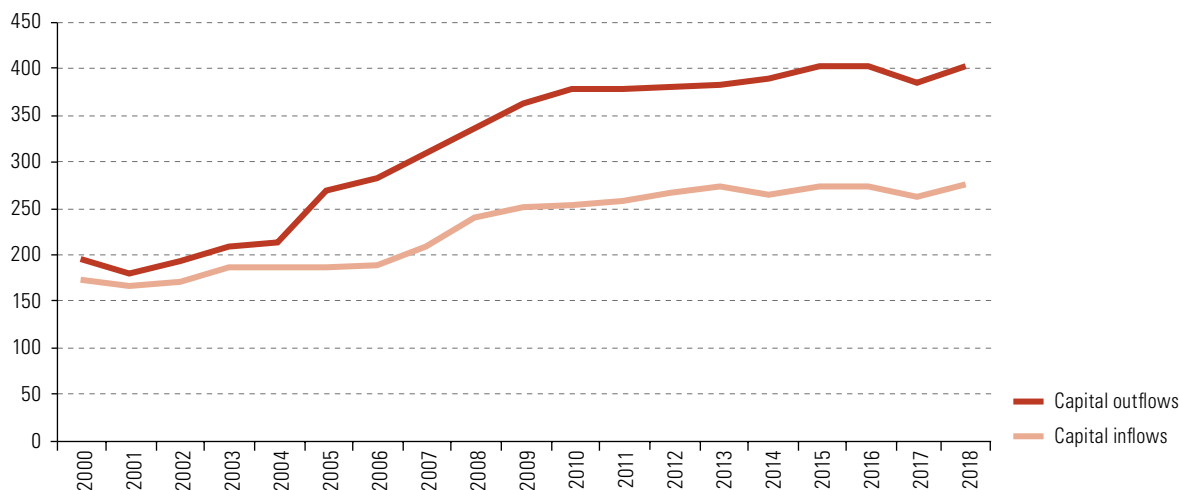
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "AREAER Online" [online] https://www.elibrary-areaer.imf.org/Pages/ChapterQuery.aspx.
Note: The number of measures refers to all capital transactions, in other words the aggregate amount.

Although the measures applied to capital inflows and outflows tend to be correlated in the region, there has been a clear bias towards actions targeting financial outflows since 2003. This is highly significant because, as noted above, the volatility of capital outflows, particularly those related to direct investment, has increased (Eichengreen, Gupta and Masetti, 2017). Lastly, there was also an intensification of measures prior to the financial crisis of 2008, as well as a rebound in 2018.

A key element in capital flow regulation is the analysis of gross financial flows; that is distinguishing between inflows and outflows. Most of the literature on the subject, including empirical analyses, tends to focus on capital inflows into the countries and underestimate the risks that arise from sudden outflows. In particular, volatile capital outflows tend to be driven by global factors and contagion effects that are beyond the control of the countries themselves.[31] This is causing increasing concern among emerging economies and countries in the region, as these movements can cause tensions in the financial system and also have potential adverse effects on growth and well-being.

An example of this is the experience of Argentina, where the central bank has recently imposed an exchange control, as part of an overall strategy to preserve financial stability and increase the resilience of its financial system. Regulations governing the participation of firms and households in the foreign exchange market were adjusted, especially as regards the formation of assets abroad. Individuals are limited to a maximum of US$200 per month, while firms have to request approval from the central bank. In addition, the regulations governing access to foreign currency to pay profits and dividends abroad, as well as for debt service, were also adjusted. Central bank approval is now required to use the proceeds of foreign exchange to purchase local-currency-denominated public securities on the secondary market; and access to the foreign-exchange market was made subject to public securities denominated in foreign currency being held for a period of at least 90 days. The central bank also required firms to request prior approval to access the foreign-exchange market to pay foreign-trade obligations and to repay debt principal. The Argentine central bank mandated the surrender of foreign exchange obtained from the export of goods and services, setting deadlines for their sale, and for new financial borrowing abroad. These measures made it possible to curb capital flows, accumulate international reserves and, therefore, alleviate liquidity pressures in this economy (IFF, 2020b).[32]

Table II.8 illustrates the capital inflow and outflow measures adopted by the countries in the capital and money markets in 2018. It can be seen that countries are generally tending to implement measures applied to both inflows and outflows of capital simultaneously. However, 118 measures were implemented in the countries of the region with respect to capital outflows compared to 94 targeting inflows. In Antigua and Barbuda, Argentina and Guyana the measures targeted a single segment such as equity instruments and collective investments in securities. Other countries, such as Chile, Costa Rica or the Plurinational State of Bolivia, prioritized measures targeting capital flows in a specific direction.

The same pattern tends to be corroborated in capital flow regulation measures applied to derivatives and other instruments, credit operations and direct investment, among others; in other words, actions affecting both inflows and outflows. The countries of the region have intervened less with respect to derivatives (47% of countries have adopted measures to regulate capital flows in this way) and commercial credit operations (50% of the countries). In fact, the measures adopted are oriented more towards financial credits. Lastly, it is worth noting that 97% of the countries adopted provisions specifically targeting commercial banks or other credit institutions. This is the only case in which the measures applicable to capital inflows exceed those affecting outflows.

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[31]   In recent years, the influence of external factors on capital outflows has been demonstrated. These "push factors" reflect macroeconomic policies in the advanced countries and not the conditions prevailing in national economies. See Munhoz and Libânio (2013) for an analysis of the case of Brazil.

[32]   The total volume of capital outflows registered in Argentina in 2019 was USS 26.870 billion, down from the 2018 figure of US$ 27.230 billion.

Table II.8
Latin America and the Caribbean (30 countries): capital flow regulation measures targeting the money
and capital markets, 2018

Countries	Shares	Bonds	Money market instruments	Collective investment in securities
Antigua and Barbuda	Outflow			
Argentina				Outflow
Belize	Inflow/outflow	Inflow/outflow	Inflow/outflow	Inflow/outflow
Bolivia (Plurinational State of)	Outflow	Outflow	Outflow	Outflow
Brazil	Inflow/outflow	Inflow/outflow	Inflow/outflow (+)	Inflow/outflow (+)
Chile	Inflow/outflow (+)	Outflow	Outflow	Outflow
Colombia	Inflow/outflow	Inflow/outflow	Inflow/outflow (+)	Inflow/outflow
Costa Rica		Inflow	Inflow	Inflow
Dominica	Inflow/outflow (+)	Outflow		Inflow(+)/outflow
Dominican Republic	Inflow	Inflow	Inflow	
Ecuador	Inflow/outflow	Inflow/outflow	Inflow/outflow	Inflow/outflow
El Salvador	Outflow	Outflow	Outflow	Outflow
Grenada	Inflow/outflow (+)	Inflow/outflow	Inflow/outflow	Inflow/outflow
Guatemala		Inflow/outflow		
Guyana	Inflow			
Haiti		Outflow	Outflow	Outflow
Honduras	Inflow/outflow (+)	Inflow/outflow (+)	Inflow/outflow (+)	Outflow
Jamaica	Inflow/outflow (+)	Inflow/outflow	Inflow/outflow (+)	Inflow/outflow (+)
Mexico	Inflow/outflow	Inflow/outflow	Inflow/outflow	Inflow/outflow
Nicaragua				
Panama				
Paraguay	Outflow	Outflow	Inflow	
Peru				
Saint Kitts and Nevis	Inflow/outflow (+)	Outflow		Inflow(+)/outflow
Saint Lucia	Inflow/outflow	Inflow/outflow (+)	Outflow	Outflow
Saint Vincent and the Grenadines	Inflow/outflow (+)	Inflow/outflow	Inflow/outflow	Inflow/outflow
Suriname	Inflow/outflow	Inflow/outflow	Inflow/outflow	Inflow/outflow
Trinidad and Tobago	Inflow			
Uruguay				
Venezuela (Bolivarian Republic of)	Inflow(+)/outflow	Inflow(+)/outflow	Inflow(+)/outflow	Inflow(+)/outflow

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "AREAER Online" [online] https://www.elibrary-areaer.imf.org/Pages/ChapterQuery.aspx, and G. Pasricha, "Recent trends in measures to manage capital flows in emerging economies", *The North American Journal of Economics and Finance*, vol. 23, No. 3, 2012.

Note: The (+) sign signals that the number of measurements was greater in a certain direction (inflow or outflow). Measures targeting capital inflows were distinguished from those affecting outflows using the typology proposed in Pasricha (2012).

In addition to the measures associated with capital flow regulation, the region's countries also have experience in implementing macroprudential tools. Table II.9 provides a taxonomy of the countries according to their level of financial development and the number of macroprudential tools implemented in 2000–2016, distinguishing between capital-, credit- and liquidity-oriented measures.[33] The information was obtained from the database developed by Alam and others (2019) covering 17 indicators of macroprudential policy actions.

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[33]   The level of financial development is proxied on the basis of the financial development index developed by IMF. See Sabay and others (2015).

Table II.9
Latin America and the Caribbean (17 countries): taxonomy of the level of macroprudential regulation by level of financial development, 2000–2016

Level of macroprudential measures	Financial development index			
	High	**Medium-high**	**Medium-low**	**Low**
Capital-related measures				
High	Brazil	Argentina		Ecuador
	Mexico	Jamaica		
		Peru		
Intermediate	Colombia		Costa Rica	Paraguay
			Uruguay	Dominican Republic
			Honduras	
Low	Chile	Trinidad and Tobago	El Salvador	Haiti
	Saint Kitts and Nevis			
Credit-related measures				
High	Colombia	Argentina	Costa Rica	Haiti
				Ecuador
Intermediate	Brazil	Peru		Dominican Republic
	Chile			
Low	Mexico	Jamaica	Honduras	Paraguay
	Saint Kitts and Nevis	Trinidad and Tobago	Uruguay	
			El Salvador	
Liquidity-related measures				
High	Brazil	Peru	Uruguay	Haiti
		Argentina	Costa Rica	
			El Salvador	
			Honduras	
Intermediate	Mexico			Ecuador
	Colombia			
Low	Chile	Jamaica		Dominican Republic
	Saint Kitts and Nevis	Trinidad and Tobago		Paraguay

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Integrated Macroprudential Policy (iMaPP) Database https://www.elibrary-areaer.imf.org/Macroprudential/Pages/iMaPPDatabase.aspx, and Z. Alam and others, "Digging deeper—Evidence on the effects of macroprudential policies from a new database", *IMF Working Paper*, No. 19/66, Washington, D.C., IMF, March 2019.

Note: The capital-related category includes capital requirements applicable to banks (risk weighting, systemic risk buffers and minimum capital requirements); capital conservation buffer requirements also for banks (Basel III); transaction taxes and levies, loan-loss provisioning requirements including dynamic and sector provisions. Credit related measures include limits on debt service to income and loan to income ratios; limits on credit growth or volume; limits on foreign currency loans; lending restrictions; limits on loan to value ratios. Liquidity-related measures include limits on net or gross open currency positions, limits on foreign currency and funding exposures and currency mismatch regulations; measures to mitigate systemic liquidity and funding risks; reserve requirements (domestic or foreign currency). For each variable, groups were defined on the basis of the quartiles of the distribution of values. Macroprudential measures were compiled from the database developed by (Alam and others, 2019) and the Financial Development Index of the IMF database.

In 2000–2016, most of the macroprudential actions were implemented in Brazil (22%), Peru (18%) and Argentina (13%); and the number of actions trended up to reach a peak in 2008. In addition, this intensification was translated into actions specifically aimed at mandatory reserves in local and foreign currency (44%), bank capital requirements (12%) and limits on open currency positions, both net and gross (11%).

Thus, in countries with a high financial development index, measures have been applied that are oriented towards capital as well as credit and liquidity; and several instruments

were generally combined in each category. For example, in the case of Brazil, which has a high level of capital-related measures, the following tools were used: (i) requirements for banks to maintain a capital conservation buffer, including that established in Basel III; (ii) bank capital requirements (risk weighting, systemic risk buffers and minimum capital requirements); and (iii) limits imposed on bank leverage (Basel III).

In countries with a low financial development index, measures are usually targeted on a particular aspect, or else a single type of tool is selected, depending on macroeconomic conditions and the risks considered important. In the case of Ecuador, which has a high level of credit-related measures, the only tool implemented was a limit on the debt-service-to-income ratio and on the loan-to-income ratio.

For countries in the intermediate category of financial development, the measures differ in terms of the issue being prioritized or the combination of tools used. For example, in the case of Argentina,[34] which displays a high level in all three categories of macroprudential measures, a single credit-related measure is applied, consisting of loan limits or rules governing foreign-currency loans. A combination of four liquidity related tools, such as reserve requirements, or measures to mitigate systemic liquidity and funding risks are also applied. This often depends on the degree of development of financial institutions relative to the degree of development of financial markets, as well as on the macroeconomic conditions previously identified, in particular exchange rate regimes and monetary-policy targets.

The foregoing data highlight the experience of the region's countries with both macroprudential and capital flow regulation. It can be seen that this experience has spanned at least two decades, considering the period selected in this analysis. The existence of established institutions and the possibility of having a permanent regulatory mechanism to deal with financial risks and promote macroeconomic stability, which can evolve and adjust to changing conditions and sources of instability, are key factors. The strengthening of macroprudential and capital flow regulation thus requires greater international cooperation to define a common framework for implementing a set of conventional macroeconomic and macroprudential policies to respond to the challenges of the current crisis —an issue that is addressed in the next section.

3.   The strengthening of macroprudential and capital flow regulation in the region requires greater international cooperation

Since the 2008 financial crisis, conditions in the region's countries have changed considerably and, as noted earlier, significant vulnerabilities persist that can produce adverse and permanent effects on the real sector if the shocks are sufficiently wide-ranging and strong.[35] As was observed at the onset of the Covid-19 crisis, high capital flow volatility is a major source of vulnerability .

However, the predominant view of the macroprudential framework was heavily influenced by the difficulties that the advanced countries were facing; and this view may not adequately capture the specific challenges faced by the region's countries, nor give

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[34]   With respect to macroprudential regulation, Argentina's supervisory framework has been assessed as "largely equivalent" to the European Union framework (EBA, 2019).

[35]   These vulnerabilities stem in particular from the fact that the nature and structure of the external financing of the region's countries changed after the 2008 financial crisis. Private creditors became more important as financing sources, and the non-financial corporate sector grew as a proportion of borrowers. In the first quarter of 2020, bond issuance in Latin America and the Caribbean totalled US$ 44.6 billion: just 35.7% of this consists of sovereign bonds, mostly issued by the corporate sector; while 42.1% was issued by the non-financial corporate sector and 22% by banks. It is also worth noting that 89% of all bond issuance occurs in United States dollars.

sufficient consideration to the pressing macroeconomic circumstances in each situation (Shin, 2013). Given the experience of the region's countries, the application of capital flow regulation measures to achieve financial stability objectives and mitigate financial vulnerabilities deserves broad consideration, as does defining the central role that IMF can play in this regard (ECB, 2016). In particular, greater international cooperation is needed, to jointly gauge the effectiveness of using capital flow regulation measures and including them in the macroprudential framework, since country-specific conditions need to be taken into account.[36] It is important to adapt the framework for evaluating the measures to changes in the volume and volatility of capital flows.

In general, macroprudential regulation was conceived of in a situation of large-scale capital inflows; and the adverse effects of the outflows that have been more volatile in the last decade tend to be downplayed. Moreover, macroprudential regulation continues to mostly target the banking sector, despite the fact that other institutional investors have recently gained major importance. It also continues to focus on creating buffers against losses, thus maintaining an essentially microprudential approach rather than prioritizing a macroprudential perspective that promotes the resilience of the financial system as a whole. This further highlights the need for international cooperation and for international financial institutions to act as advisors in this area.

Existing approaches to macroprudential regulation also tend to place the emphasis on the countries that receive the capital flows while implicitly excluding the countries of origin. Consequently, there is room for international cooperation to develop the coordination needed to regulate the financial system as a whole and, in particular, to "regulate capital flows at both ends" (Gosh, Qureshi and Sugawara, 2014).

A final consideration involves expanding the global financial safety net in response to the COVID-19 crisis (Gallagher and others, 2020), since this would provide tools to counteract the adverse effects of financial-flow volatility, but which are costly or unaffordable for vulnerable countries (ECB, 2016). Given the diversity of the region's countries in terms of financial development, and the fact that circumstances evolve, the macroprudential framework and regulation of capital flows should be considered from a dynamic standpoint. In the case of the countries of the region that have experience in the matter, the possibility of providing more flexibility in the application of these measures should be explored, bearing in mind integration into the international financial market and exchange rate volatility. Countries should be able to deploy all available tools to defend macroeconomic and financial stability.

One answer is to assess prudential and capital flow regulation measures on the basis of the specific sources of risks and financial fragilities they address, rather than from the exclusive perspective of the capital flows. Given the characteristics and idiosyncrasies of each country, in these circumstances it would be inappropriate to make a single recommendation or a "one-size-fits-all" response.

Not all countries can sustain expansionary monetary policies without increasing their external borrowing. In general, the countries have used the tools at their disposal and have made commitments to continue doing so; but for those that use exchange rate anchoring as the pillar of their monetary or exchange rate strategy, expanding liquidity generally requires having more external resources available.

In addition, for economies with more flexible exchange rates, greater monetary liquidity could make the exchange rate more volatile, which in turn could compromise the country's macrofinancial stability; so additional external resources could be needed to deal with this situation.

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[36]   In addition, defining and classifying the measures as macroprudential, capital flow management or both, as in the IMF taxonomy (2019,) could make them more difficult to use and cause greater complexity for the regulatory authorities.

Sustaining expansionary and macrofinancial-stability policies requires institutionalizing cooperation among central banks. This would involve programmes and agreements under which all central banks can obtain foreign exchange when contingencies arise, without having to rely on temporary and one-time approvals. Greater cooperation between the central banks of the main developed economies and those of the emerging economies, as well as among emerging-economy central banks themselves, would provide the countries with the resources needed to support both expansionary monetary policies and interventions in the banking market aimed at maintaining macrofinancial stability.

The transition to a sustainable economy requires increased funding for projects that provide environmental and social benefits. Bond markets can play a key role in attracting private capital to meet these financing needs, through green, social and sustainability bonds, as well as bonds issued to respond to the social emergency caused by COVID-19. The regional development banks have a key role to play in this regard. In May 2020, the Development Bank of Latin America (CAF) issued 700 million euros (or US$ 768 million) in five-year social bonds to finance pandemic-related health spending, and to provide financial support in the form of emergency funds to member countries. Among individual countries, Ecuador issued US$ 400 million in sovereign social bonds before the pandemic, partly guaranteed by the Inter-American Bank (IDB); and Guatemala issued US$ 1.2 billion on the cross-border bond market in April this year, half of which was used to finance social projects to combat the pandemic.

Lastly, in order to support liquidity in the region's countries, the IMF should make a new issue of special drawing rights (SDRs), since this would make it possible to expand global liquidity and increase the international reserves of the countries at a time of need. Moreover, a special-purpose fund or vehicle should be set up to enable countries that do not make use of the additional SDRs to, voluntarily or temporarily, commit part of their allocation to strengthening the financial capacity of regional financial arrangements and other institutions such as the regional development banks. In addition, global and regional institutions need to be recapitalized to increase their lending capacity.

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Statistical annex

Table A.1
Latin America and the Caribbean: main economic indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Annual growth rates									
Gross domestic product[b]	4.5	2.8	2.9	1.1	-0.2	-1.2	1.1	0.9	0.0
Gross domestic product per capita[b]	3.3	1.7	1.8	0.1	-1.3	-2.2	0.1	0.0	-0.9
Consumer prices[c]	4.9	4.0	4.1	4.4	5.7	4.2	3.6	3.2	3.1
Percentages									
National unemployment	6.4	6.4	6.3	6.1	6.6	7.8	8.1	7.9	8.1
Total gross external debt/GDP[d e]	29.9	33.2	35.0	37.6	40.4	42.1	41.8	43.1	46.6
Total gross external debt/exports of goods and services[d e]	98.8	107.3	117.8	134.2	155.0	165.8	157.3	151.9	160.9
Millions of dollars									
Balance of payments									
Current account balance	-115 489	-148 987	-173 628	-185 921	-171 322	-100 032	-86 343	-130 056	-96 488
Exports of goods f.o.b.	1 105 797	1 126 851	1 117 784	1 086 216	926 079	894 727	1 004 668	1 092 406	1 061 588
Imports of goods f.o.b.	1 039 058	1 085 349	1 114 472	1 103 078	979 500	891 222	968 783	1 076 172	1 033 783
Services trade balance	-69 960	-75 931	-80 934	-78 063	-55 150	-44 620	-50 960	-52 350	-44 005
Income balance	-177 574	-178 385	-160 289	-158 846	-131 892	-134 913	-152 860	-183 240	-177 219
Net current transfers	65 306	63 826	64 283	67 850	69 141	75 996	81 594	89 300	96 932
Capital and financial balance[f]	221 718	205 999	189 255	223 317	143 467	120 159	103 783	114 616	49 690
Net foreign direct investment	150 256	160 318	151 649	136 017	131 476	126 672	119 193	150 149	123 743
Other capital movements	71 461	45 680	37 606	87 300	11 991	-6 514	-15 409	-35 533	-74 053
Overall balance	106 229	57 012	15 626	37 397	-27 856	20 126	17 441	-15 440	-45 564
Variation in reserve assets[g]	-106 523	-58 101	-16 058	-38 032	27 156	-19 406	-17 983	-12 902	29 717
Other financing	293	1 091	433	456	762	11	559	28 378	15 774
Net transfer of resources	44 437	28 705	29 399	64 928	12 337	-14 744	-48 517	-40 246	-111 754
International reserves	771 021	834 208	829 117	857 148	811 779	830 960	859 335	867 078	848 997
Percentages of GDP									
Fiscal sector[h]									
Overall balance	-1.7	-2.1	-2.6	-2.9	-3.1	-3.3	-3.2	-2.9	-3.2
Primary balance	0.1	-0.3	-0.8	-1.0	-1.0	-1.1	-0.9	-0.5	-0.6
Total revenue	18.2	18.4	18.5	18.3	18.2	18.1	18.1	18.2	18.5
Tax revenue	14.9	15.2	15.3	15.4	15.5	15.5	15.4	15.6	15.4
Total expenditure	19.9	20.5	21.1	21.2	21.3	21.4	21.3	21.1	21.7
Capital expenditure	3.9	4.1	4.2	4.1	3.8	3.8	3.6	3.3	3.2
Central-government public debt	30.0	31.0	32.5	33.8	36.3	38.0	39.6	43.0	45.5
Public debt of the non-financial public-sector	32.5	33.6	34.9	36.7	39.5	41.3	43.1	46.5	49.0

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 data on economies with chronic inflation (Argentina, Haiti and Venezuela (Bolivarian Republic of)).
[d] Based on figures denominated in dollars at current prices.
[e] Simple averages for 18 countries. Does not include Cuba and Venezuela (Bolivarian Republic of).
[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 Cuba, Haiti and Venezuela (Bolivarian Republic of).

Table A.2
Latin America and the Caribbean: gross domestic product in millions of dollars
(Current prices)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Latin America and the Caribbean	**5 978 412**	**6 031 124**	**6 200 127**	**6 124 912**	**5 185 627**	**5 064 360**	**5 570 225**	**5 433 583**	**5 345 851**
Latin America	**5 908 806**	**5 959 238**	**6 126 896**	**6 050 873**	**5 112 906**	**4 995 317**	**5 499 299**	**5 359 354**	**5 269 451**
Argentina	530 158	581 431	613 316	567 050	644 903	557 532	643 628	517 627	445 445
Bolivia (Plurinational State of)	23 963	27 084	30 659	32 996	33 000	33 941	37 509	40 288	40 895
Brazil	2 616 157	2 465 228	2 472 819	2 456 044	1 802 212	1 795 693	2 062 838	1 885 469	1 839 772
Chile	252 252	267 122	278 384	260 542	243 919	250 440	277 045	298 258	282 318
Colombia	334 944	370 921	382 116	381 112	293 482	282 825	311 884	333 569	323 616
Costa Rica	42 263	46 473	49 745	50 578	54 776	57 158	58 482	60 554	61 774
Cuba	68 990	73 141	77 148	80 656	87 133	91 370	96 851	100 023	103 539
Dominican Republic	57 811	60 658	62 662	67 170	71 155	75 682	79 998	85 555	89 845
Ecuador	79 277	87 925	95 130	101 726	99 290	99 938	104 296	107 562	107 436
El Salvador	20 284	21 386	21 991	22 593	23 438	24 191	24 979	26 117	27 023
Guatemala	46 898	49 589	52 996	57 852	62 186	66 053	71 612	73 118	76 710
Haiti	7 474	7 820	8 387	8 661	8 355	7 598	8 521	9 287	8 159
Honduras	17 710	18 529	18 500	19 757	20 980	21 718	23 136	24 024	25 095
Mexico	1 180 487	1 201 094	1 274 444	1 315 356	1 171 870	1 078 493	1 158 912	1 222 412	1 258 206
Nicaragua	9 774	10 532	10 983	11 880	12 757	13 286	13 786	13 064	12 521
Panama	34 686	40 430	45 600	49 921	54 092	57 908	62 219	65 128	66 801
Paraguay	33 696	33 308	38 736	40 277	36 164	36 054	39 009	40 385	38 145
Peru	171 762	192 650	201 176	200 786	189 803	191 898	211 008	222 045	227 424
Uruguay	47 962	51 264	57 531	57 236	53 274	52 688	59 530	59 597	56 046
The Caribbean	**69 606**	**71 886**	**73 231**	**74 039**	**72 721**	**69 043**	**70 926**	**74 229**	**76 400**
Antigua and Barbuda	1 138	1 200	1 181	1 250	1 337	1 437	1 468	1 611	1 736
Bahamas	10 070	10 721	10 563	10 913	11 752	11 938	12 150	12 425	12 787
Barbados	4 658	4 610	4 677	4 696	4 715	4 830	4 978	5 087	5 205
Belize	1 461	1 523	1 579	1 663	1 724	1 775	1 837	1 871	1 907
Dominica	501	486	498	520	541	576	520	551	596
Grenada	779	800	843	911	997	1 062	1 126	1 169	1 228
Guyana	3 691	4 063	4 168	4 128	4 280	4 483	4 748	4 788	5 174
Jamaica	14 445	14 807	14 263	13 898	14 188	14 076	14 806	15 714	15 907
Saint Kitts and Nevis	818	800	840	917	923	971	997	1 011	1 051
Saint Lucia	1 446	1 440	1 484	1 559	1 659	1 707	1 819	1 926	1 990
Saint Vincent and the Grenadines	676	693	721	728	755	774	792	811	825
Suriname	4 422	4 980	5 146	5 241	4 787	3 129	3 210	3 458	3 793
Trinidad and Tobago	25 501	25 763	27 268	27 616	25 063	22 285	22 475	23 808	24 201

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Latin America and the Caribbean[b]	**4.5**	**2.8**	**2.9**	**1.1**	**-0.2**	**-1.2**	**1.1**	**0.9**	**0.0**
Latin America	**4.5**	**2.8**	**2.9**	**1.1**	**-0.2**	**-1.2**	**1.1**	**0.9**	**0.0**
Argentina	6.0	-1.0	2.4	-2.5	2.7	-2.1	2.8	-2.6	-2.1
Bolivia (Plurinational State of)	5.2	5.1	6.8	5.5	4.9	4.3	4.2	4.2	2.2
Brazil	4.0	1.9	3.0	0.5	-3.5	-3.3	1.3	1.3	1.1
Chile	6.1	5.3	4.0	1.8	2.3	1.7	1.2	3.9	1.1
Colombia	6.9	3.9	5.1	4.5	3.0	2.1	1.4	2.5	3.3
Costa Rica	4.3	4.8	2.3	3.5	3.6	4.2	3.9	2.7	2.1
Cuba	2.8	3.0	2.8	1.0	4.4	0.5	1.8	2.2	0.5
Dominican Republic	3.1	2.7	4.9	7.1	6.9	6.7	4.7	7.0	5.1
Ecuador	7.9	5.6	4.9	3.8	0.1	-1.2	2.4	1.3	0.1
El Salvador	3.8	2.8	2.2	1.7	2.4	2.5	2.3	2.4	2.4
Guatemala	4.2	3.0	3.7	4.4	4.1	2.7	3.0	3.2	3.8
Haiti	5.5	2.9	4.2	2.8	1.2	1.5	1.2	1.5	-0.7
Honduras	3.8	4.1	2.8	3.1	3.8	3.9	4.8	3.7	2.7
Mexico	3.7	3.6	1.4	2.8	3.3	2.6	2.1	2.2	-0.3
Nicaragua	6.3	6.5	4.9	4.8	4.8	4.6	4.6	-4.0	-3.9
Panama	11.3	9.8	6.9	5.1	5.7	5.0	5.6	3.7	3.0
Paraguay	4.2	-0.5	8.4	4.9	3.1	4.3	5.0	3.4	0.0
Peru	6.3	6.1	5.9	2.4	3.3	4.0	2.5	4.0	2.2
Uruguay	5.2	3.5	4.6	3.2	0.4	1.7	2.6	1.6	0.2
Venezuela (Bolivarian Republic of)	4.2	5.6	1.3	-3.9	-6.2	-17.0	-15.7	-19.6	-25.5
The Caribbean	**1.1**	**1.3**	**0.8**	**0.4**	**1.1**	**-1.5**	**0.0**	**1.4**	**0.9**
Antigua and Barbuda	-2.0	3.4	-0.6	3.8	3.8	5.5	3.1	7.4	4.7
Bahamas	0.6	3.1	-3.0	0.7	0.6	0.4	0.1	1.6	0.9
Barbados	-0.7	-0.4	-1.4	-0.1	2.4	2.5	0.5	-0.6	-0.1
Belize	1.9	2.4	1.3	3.6	2.8	0.1	1.9	2.1	-2.0
Dominica	-0.2	-1.1	-1.0	4.4	-2.7	2.6	-6.8	2.3	5.7
Grenada	0.8	-1.2	2.4	7.3	6.4	3.7	4.4	4.1	3.1
Guyana	5.2	5.3	3.7	1.7	0.7	3.8	3.7	4.4	5.4
Jamaica	1.7	-0.6	0.5	0.7	0.9	1.4	1.0	1.9	0.9
Saint Kitts and Nevis	1.8	-2.2	5.4	6.3	1.0	2.8	-2.0	2.9	2.5
Saint Lucia	4.1	-0.3	-2.0	1.3	0.3	3.2	2.2	1.1	1.5
Saint Vincent and the Grenadines	-0.4	1.4	1.8	1.2	1.3	1.9	1.0	2.2	0.3
Suriname	5.8	2.7	2.9	0.3	-3.4	-5.6	1.8	2.6	2.0
Trinidad and Tobago	-0.3	1.3	2.2	-0.9	1.8	-6.3	-2.3	-0.2	-0.4

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Latin America and the Caribbean[b]	**3.3**	**1.7**	**1.8**	**0.1**	**-1.3**	**-2.2**	**0.1**	**0.0**	**-0.9**
Latin America	**3.3**	**1.7**	**1.8**	**0.1**	**-1.3**	**-2.2**	**0.1**	**0.0**	**-0.9**
Argentina	4.9	-2.1	1.3	-3.5	1.7	-3.1	1.8	-3.5	-3.0
Bolivia (Plurinational State of)	3.5	3.5	5.1	3.8	3.3	2.7	2.7	2.8	0.8
Brazil	3.0	1.0	2.1	-0.4	-4.4	-4.1	0.5	0.5	0.4
Chile	5.1	4.3	3.0	0.7	1.1	0.4	-0.2	2.5	-0.1
Colombia	5.9	3.0	4.2	3.4	1.8	0.7	-0.2	1.0	1.9
Costa Rica	3.1	3.6	1.1	2.4	2.5	3.1	2.8	1.6	1.1
Cuba	2.7	2.8	2.5	0.8	4.3	0.4	1.8	2.3	0.5
Dominican Republic	1.9	1.5	3.7	5.8	5.7	5.5	3.5	5.8	4.0
Ecuador	6.2	4.1	3.4	2.2	-1.5	-2.9	0.6	-0.5	-1.6
El Salvador	3.4	2.4	1.8	1.2	1.9	2.0	1.7	1.9	1.9
Guatemala	1.9	0.8	1.5	2.3	2.0	0.6	1.0	1.2	1.9
Haiti	3.9	1.4	2.7	1.4	-0.2	0.1	-0.1	0.2	-1.9
Honduras	1.8	2.2	0.9	1.3	2.0	2.1	3.1	2.0	1.0
Mexico	2.2	2.2	0.0	1.5	2.0	1.4	0.9	1.1	-1.4
Nicaragua	4.9	5.1	3.5	3.4	3.4	3.2	3.3	-5.1	-5.1
Panama	9.4	7.9	5.1	3.3	3.9	3.2	3.8	2.0	1.3
Paraguay	2.8	-1.9	6.9	3.4	1.7	2.9	3.6	2.0	-1.3
Peru	5.5	5.3	4.9	1.3	2.0	2.4	0.8	2.2	0.5
Uruguay	4.9	3.2	4.3	2.9	0.0	1.3	2.2	1.2	-0.1
The Caribbean	**0.4**	**0.6**	**0.1**	**-0.3**	**0.4**	**-2.2**	**-0.6**	**0.8**	**0.4**
Antigua and Barbuda	-3.3	2.1	-1.8	2.6	2.7	4.4	2.2	6.4	3.8
Bahamas	-0.7	2.0	-3.9	-0.2	-0.4	-0.5	-0.9	0.5	-0.1
Barbados	-1.0	-0.7	-1.6	-0.3	2.3	2.3	0.3	-0.7	-0.2
Belize	-0.5	0.1	-1.0	1.4	0.7	-1.9	-0.1	0.1	-3.9
Dominica	-0.3	-1.1	-1.1	4.3	-2.8	2.4	-7.0	2.0	5.4
Grenada	0.2	-1.8	1.7	6.6	5.8	3.1	3.9	3.6	2.6
Guyana	4.8	4.8	3.1	1.1	0.2	3.3	3.2	3.9	4.8
Jamaica	1.2	-1.2	-0.1	0.1	0.4	0.8	0.5	1.5	0.4
Saint Kitts and Nevis	0.9	-3.1	4.5	5.4	0.2	2.0	-2.8	2.1	1.8
Saint Lucia	3.3	-0.9	-2.5	0.9	-0.2	2.6	1.7	0.6	1.0
Saint Vincent and the Grenadines	-0.5	1.3	1.7	1.0	1.1	1.6	0.7	1.8	0.0
Suriname	4.7	1.5	1.8	-0.8	-4.4	-6.5	0.8	1.6	1.0
Trinidad and Tobago	-0.9	0.6	1.6	-1.5	1.2	-6.8	-2.8	-0.7	-0.8

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)

	2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	3.8	-4.0	-3.4	-6.2	-5.9	0.4	-1.8	-1.1	-5.4
Belize	0.4	5.3	2.4	0.2	2.3	-3.2	-2.8	-4.4	-4.5
Bolivia (Plurinational State of)	4.9	4.8	4.0	3.3	3.1	2.6	2.2	1.1	…
Brazil	1.5	1.1	1.5	1.2	0.6	1.1	1.2	1.7	-0.3
Chile	4.5	5.3	2.8	3.3	1.4	1.8	3.4	-2.1	0.4
Colombia	1.8	2.8	2.7	2.7	2.9	3.2	3.5	3.5	1.1
Costa Rica	3.1	3.7	2.5	1.3	2.0	0.6	2.5	3.2	0.6
Dominican Republic	6.8	7.3	7.6	6.3	5.7	3.7	4.9	5.8	0.0
Ecuador	1.5	1.5	1.5	0.7	1.1	0.5	-0.3	-1.0	-2.4
El Salvador	3.1	2.7	2.1	1.8	2.2	1.6	2.9	2.8	1.0
Guatemala	2.2	4.1	3.2	3.4	3.6	3.8	4.0	3.9	0.7
Honduras	2.9	4.0	3.3	4.5	3.0	1.9	3.4	2.4	-1.2
Jamaica[b]	1.4	2.2	1.9	2.0	1.7	1.3	0.6	0.0	-2.3
Mexico	1.5	3.3	2.8	1.3	1.1	-1.1	-0.4	-0.7	-1.4
Nicaragua	2.5	-5.3	-5.2	-7.5	-9.2	-3.3	-2.5	-0.3	1.8
Panama	4.2	3.0	3.3	4.2	3.1	2.9	2.7	3.3	0.4
Paraguay	5.1	6.7	1.2	0.5	-2.7	-3.3	2.6	3.5	3.5
Peru	3.1	5.4	2.5	4.8	2.4	1.2	3.2	1.8	-3.4
Trinidad and Tobago	3.8	1.8	-2.0	-7.0	-3.1	…	…	…	…
Uruguay	2.3	2.6	2.2	0.9	-0.4	0.1	1.0	0.2	-1.4
Venezuela (Bolivarian Republic of)	-18.6	-17.2	-22.5	-20.2	-26.8	…	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Based on figures in local currency at constant prices.
[b] Gross domestic product measured in basic prices.

Table A.6
Latin America and the Caribbean: gross fixed capital formation[a]
(Percentages of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[b]
Latin America and the Caribbean	**20.2**	**21.0**	**21.2**	**21.2**	**20.6**	**19.5**	**18.4**	**18.0**	**18.2**	**17.7**
Argentina	16.6	18.4	17.3	17.3	16.5	16.7	16.0	17.7	17.1	14.6
Bahamas	26.2	27.6	30.1	27.6	30.8	24.9	25.4	28.0	24.9	...
Belize	15.5	15.0	14.6	18.0	18.3	22.2	23.8	20.6	20.2	...
Bolivia (Plurinational State of)	16.6	19.5	19.0	19.9	20.7	20.7	20.6	22.1	21.9	20.7
Brazil	20.5	21.1	20.9	21.4	20.4	18.2	16.6	15.9	16.3	16.5
Chile	21.6	23.6	24.9	24.8	23.1	22.6	21.9	21.0	21.1	21.8
Colombia	21.9	24.3	24.0	24.6	26.4	25.3	24.8	23.7	23.5	23.7
Costa Rica	19.7	19.5	20.4	19.9	19.8	19.7	19.8	18.6	18.7	17.1
Dominican Republic	25.2	23.9	23.1	21.5	22.0	24.4	25.7	24.5	26.0	26.7
Ecuador	24.6	26.1	27.3	28.7	28.3	26.5	24.5	25.2	25.3	24.5
El Salvador	14.8	15.7	15.7	16.3	14.5	15.4	15.6	15.8	16.4	17.6
Guatemala	15.7	16.1	16.2	15.9	15.9	15.0	14.4	14.5	14.7	15.2
Honduras	21.6	24.3	24.2	23.1	22.5	24.4	21.7	23.0	23.5	...
Mexico	21.6	22.5	22.7	21.7	21.7	22.0	21.6	20.9	20.7	19.7
Nicaragua	21.2	24.3	27.5	27.6	27.3	30.4	29.5	28.8	23.9	18.4
Panama	29.6	31.6	36.0	40.8	42.2	42.5	41.3	42.1	41.0	39.7
Paraguay	21.3	21.0	19.3	19.2	19.6	18.7	18.3	18.4	19.1	17.8
Peru	23.5	24.3	26.3	26.2	25.1	22.5	20.7	20.5	20.6	21.0
Uruguay	19.1	19.4	22.1	22.0	21.8	19.7	19.1	15.7	15.0	15.2
Venezuela (Bolivarian Republic of)	18.7	18.7	21.9	19.6	17.0	14.4	9.5	6.2	4.8	...

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		
	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]
Latin America and the Caribbean	**1 004 668**	**1 092 406**	**1 061 588**	**168 798**	**173 040**	**174 398**	**968 783**	**1 076 172**	**1 033 783**	**219 758**	**225 390**	**218 404**
Latin America	**988 310**	**1 075 069**	**1 054 788**	**155 495**	**160 109**	**161 147**	**946 393**	**1 053 293**	**1 016 763**	**209 912**	**215 074**	**210 176**
Argentina	58 662	61 801	65 155	15 506	15 274	14 134	64 109	62 544	46 928	25 202	24 239	19 349
Bolivia (Plurinational State of)	8 134	8 895	8 819	1 455	1 459	1 464	8 681	9 354	9 055	3 081	3 089	2 940
Brazil	218 069	239 537	225 821	34 478	35 440	33 972	154 109	186 490	185 039	72 406	71 174	69 110
Chile	68 823	75 200	69 889	9 789	9 839	9 417	61 472	70 555	65 724	13 613	14 603	14 514
Colombia	39 777	44 440	42 368	8 461	9 654	10 063	44 247	49 584	50 818	12 438	13 506	13 868
Costa Rica	10 808	11 474	11 623	8 632	9 090	9 600	15 178	15 863	15 425	3 835	3 902	4 186
Dominican Republic	10 135	10 908	11 219	8 857	9 284	9 346	17 734	20 209	20 288	3 307	3 399	3 893
Ecuador	19 576	22 133	22 774	2 977	3 242	3 320	19 295	22 359	21 749	3 717	3 930	4 083
El Salvador	4 667	4 735	4 786	2 557	2 782	3 197	9 512	10 671	10 867	1 824	1 968	2 005
Guatemala	9 651	9 644	9 978	3 600	3 707	3 604	16 461	17 639	17 950	3 310	3 540	3 651
Haiti	991	1 079	1 201	673	701	385	3 618	4 484	4 198	1 072	1 187	1 003
Honduras	8 656	8 588	8 718	1 282	1 254	1 177	11 409	12 240	11 826	2 058	2 316	2 406
Mexico	409 806	451 083	461 040	27 591	29 014	31 683	420 790	464 850	455 828	37 350	40 202	39 953
Nicaragua	4 180	4 197	4 342	1 558	1 343	1 363	6 549	5 802	5 397	1 031	941	843
Panama	12 470	13 356	12 947	13 900	14 447	14 663	22 291	23 969	22 261	4 604	4 906	5 113
Paraguay	13 396	13 731	12 696	937	946	924	11 524	12 917	12 251	1 210	1 280	1 248
Peru	45 422	49 066	47 688	7 260	7 090	7 604	38 722	41 870	41 074	8 805	9 850	10 718
Uruguay	11 059	11 528	11 498	5 021	4 745	4 484	8 668	9 110	8 582	3 771	3 985	4 166
Venezuela (Bolivarian Republic of)	34 030	33 677	22 227	959	798	748	12 023	12 782	11 504	7 280	7 058	7 127
The Caribbean	**16 358**	**17 337**	**6 800**	**13 303**	**12 931**	**13 251**	**22 391**	**22 879**	**17 020**	**9 846**	**10 316**	**8 228**
Antigua and Barbuda	37	38	40	957	993	1 157	494	606	616	477	508	529
Bahamas	571	642	654	3 258	3 738	3 923	3 109	3 317	2 966	1 813	1 799	1 825
Barbados	803	...	...	1 297	...	...	1 833	...	...	-223	...	...
Belize	457	451	462	541	620	668	848	917	969	241	238	264
Dominica	13	12	21	205	145	148	174	285	271	146	135	143
Grenada	41	46	44	537	576	650	370	411	426	246	274	258
Guyana	1 437	1 377	1 567	180	157	225	1 644	2 410	3 019	534	1 027	1 111
Jamaica	1 351	1 978	1 586	3 519	3 828	4 336	4 904	5 437	5 624	2 322	2 512	2 629
Saint Kitts and Nevis	29	27	28	476	571	587	332	355	367	210	226	256
Saint Lucia	94	70	146	945	1 055	1 103	576	580	625	381	396	412
Saint Vincent and the Grenadines	44	47	41	249	262	291	291	312	334	131	135	144
Suriname	2 034	2 129	2 210	161	172	163	1 363	1 582	1 803	477	552	657
Trinidad and Tobago	9 446	10 520	...	979	813	...	6 452	6 668	...	3 092	2 514	...

Table A.7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]
Latin America and the Caribbean	**-15 076**	**-36 116**	**-16 201**	**-152 860**	**-183 240**	**-177 219**	**81 594**	**89 300**	**96 932**	**-86 343**	**-130 056**	**-96 488**
Latin America	**-12 500**	**-33 189**	**-11 004**	**-150 995**	**-180 379**	**-175 242**	**78 947**	**86 364**	**92 902**	**-84 548**	**-127 204**	**-93 344**
Argentina	-15 143	-9 709	13 012	-16 380	-18 619	-17 836	371	1 279	827	-31 151	-27 049	-3 997
Bolivia (Plurinational State of)	-2 173	-2 091	-1 712	-1 110	-976	-787	1 385	1 243	1 138	-1 898	-1 823	-1 361
Brazil	26 032	17 313	5 643	-43 170	-58 825	-56 059	2 123	-28	964	-15 015	-41 540	-49 452
Chile	3 527	-119	-932	-11 452	-12 838	-11 354	1 481	2 357	1 353	-6 445	-10 601	-10 933
Colombia	-8 447	-8 996	-12 256	-8 405	-11 764	-10 189	6 611	7 643	8 704	-10 241	-13 117	-13 740
Costa Rica	427	800	1 611	-2 891	-3 262	-3 600	503	463	513	-1 961	-1 999	-1 475
Dominican Republic	-2 050	-3 416	-3 617	-3 794	-3 845	-4 274	5 711	6 101	6 686	-133	-1 160	-1 205
Ecuador	-459	-915	262	-2 318	-2 829	-3 113	2 627	2 409	2 739	-150	-1 335	-112
El Salvador	-4 111	-5 122	-4 890	-1 388	-1 470	-1 306	5 034	5 366	5 638	-465	-1 226	-558
Guatemala	-6 520	-7 828	-8 019	-1 501	-1 520	-1 275	8 824	9 943	11 148	804	595	1 854
Haiti	-3 025	-3 892	-3 615	59	50	50	2 883	3 469	3 442	-84	-373	-123
Honduras	-3 528	-4 715	-4 336	-1 406	-1 882	-1 901	4 646	5 180	5 894	-288	-1 416	-343
Mexico	-20 743	-24 956	-3 058	-29 764	-33 187	-36 563	30 116	32 885	35 279	-20 391	-25 258	-4 341
Nicaragua	-1 843	-1 202	-536	-712	-652	-466	1 567	1 611	1 758	-987	-243	756
Panama	-525	-1 072	236	-3 043	-4 213	-3 706	-124	-70	-31	-3 692	-5 355	-3 500
Paraguay	1 599	480	121	-1 207	-1 351	-1 306	823	801	795	1 214	-70	-391
Peru	5 155	4 437	3 500	-11 523	-11 814	-10 749	3 589	3 556	3 718	-2 779	-3 821	-3 531
Uruguay	3 640	3 178	3 234	-3 423	-3 412	-3 074	192	206	190	409	-28	350
Venezuela (Bolivarian Republic of)	15 686	14 635	4 345	-7 567	-7 973	-7 733	587	1 951	2 146	8 706	8 613	-1 242
The Caribbean	**-2 576**	**-2 927**	**-5 197**	**-1 866**	**-2 861**	**-1 977**	**2 647**	**2 936**	**4 030**	**-1 795**	**-2 852**	**-3 144**
Antigua and Barbuda	24	-83	52	-79	-78	-102	-60	-59	-57	-115	-220	-106
Bahamas	-1 093	-737	-215	-361	-682	-547	-55	-69	846	-1 509	-1 488	84
Barbados	490	...	...	-242	...	...	-436	...	...	-189	...	...
Belize	-91	-84	-103	-125	-145	-158	72	78	84	-144	-151	-177
Dominica	-102	-263	-245	2	-1	2	54	25	36	-46	-239	-207
Grenada	-38	-63	10	-122	-114	-114	-3	-10	-11	-162	-186	-116
Guyana	-561	-1 903	-2 338	-11	-28	-47	282	492	581	-291	-1 439	-1 803
Jamaica	-2 357	-2 144	-2 331	-421	-596	-406	2 392	2 452	2 438	-386	-288	-298
Saint Kitts and Nevis	-37	17	-8	-49	-47	-55	-26	-29	-30	-112	-58	-94
Saint Lucia	81	150	212	-107	-112	-128	7	7	7	-19	45	91
Saint Vincent and the Grenadines	-129	-137	-145	-4	-2	-8	40	41	45	-92	-97	-108
Suriname	355	167	-87	-394	-387	-413	100	103	90	61	-118	-411
Trinidad and Tobago	881	2 151	...	47	-669	...	280	-96	...	1 208	1 386	...

Table A.7 (concluded)

	Capital and financial balance[b]			Overall balance			Reserve assets (variation) [c]			Other financing		
	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]
Latin America and the Caribbean	**103 783**	**114 616**	**49 690**	**17 441**	**-15 440**	**-45 564**	**-17 983**	**-12 902**	**29 717**	**559**	**28 378**	**15 774**
Latin America	**102 291**	**113 063**	**45 984**	**17 743**	**-14 141**	**-46 118**	**-18 245**	**-14 113**	**30 545**	**502**	**28 254**	**15 573**
Argentina	45 707	9 997	-33 585	14 556	-17 052	-37 582	-14 556	-11 277	21 375	0	28 329	16 208
Bolivia (Plurinational State of)	1 666	594	-1 478	-232	-1 230	-2 839	232	1 230	2 839	0	0	0
Brazil	20 107	44 467	23 396	5 093	2 928	-26 055	-5 093	-2 928	26 055	0	0	0
Chile	3 695	11 997	10 780	-2 750	1 397	-152	2 750	-1 397	152	0	0	0
Colombia	10 786	14 303	17 074	545	1 187	3 333	-545	-1 187	-3 333	0	0	0
Costa Rica	1 542	2 388	2 867	-419	390	1 393	419	-390	-1 393	0	0	0
Dominican Republic	861	1 994	2 344	728	835	1 139	-731	-849	-1 150	3	14	11
Ecuador	-2 155	1 506	827	-2 305	171	715	2 305	-171	-715	0	0	0
El Salvador	773	1 228	1 434	308	2	876	-308	-2	-876	0	0	0
Guatemala	1 797	393	-56	2 600	988	1 798	-2 600	-988	-1 798	0	0	0
Haiti	112	322	-67	28	-51	-190	-206	-33	109	178	84	81
Honduras	1 173	1 462	1 331	885	46	988	-884	-50	-993	-1	4	5
Mexico	15 626	25 741	6 979	-4 765	483	2 638	4 765	-483	-2 638	0	0	0
Nicaragua	1 287	-270	-637	300	-513	119	-300	513	-119	0	0	0
Panama	2 399	4 900	5 459	-1 293	-455	1 958	971	632	-1 227	322	-177	-731
Paraguay	-337	-113	336	877	-183	-55	-877	183	55	0	0	0
Peru	4 408	192	10 440	1 629	-3 629	6 909	-1 629	3 629	-6 909	0	0	0
Uruguay	2 040	-380	-1 460	2 449	-408	-1 111	-2 449	408	1 111	0	0	0
Venezuela (Bolivarian Republic of)	-9 196	-7 658	...	-490	955	. . .	490	-955	...	0	0	...
The Caribbean	**1 493**	**1 554**	**3 706**	**-302**	**-1 298**	**554**	**262**	**1 211**	**-829**	**57**	**123**	**202**
Antigua and Barbuda	99	235	136	-16	15	30	16	-15	-30	0	0	0
Bahamas	2 023	1 267	478	513	-221	562	-513	221	-562	0	0	0
Barbados	52	...	...	-137	...	...	137	...	...	...	...	...
Belize	79	133	168	-65	-18	-18	65	18	18	0	0	0
Dominica	37	218	192	-10	-21	-14	10	21	14	0	0	0
Grenada	154	221	141	-9	35	26	9	-35	-39	0	0	0
Guyana	221	1 307	1 754	-70	-132	-49	12	56	-47	57	77	96
Jamaica	901	28	261	515	-260	-37	-498	249	-99	...	...	...
Saint Kitts and Nevis	156	56	113	44	-2	19	-44	2	-21	0	0	0
Saint Lucia	35	-80	-112	15	-36	-21	-15	36	-7	0	0	0
Saint Vincent and the Grenadines	82	85	119	-10	-12	11	10	12	-11	0	0	0
Suriname	-39	266	455	22	148	45	-22	-148	-45	0	47	105
Trinidad and Tobago	-2 304	-2 181	...	-1 096	-795	...	1 096	795	...	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: international trade of goods
(Index 2010=100)

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2017	2018	2019[a]	2017	2018	2019[a]	2017	2018	2019[a]
Latin America	**113.2**	**123.1**	**120.8**	**124.2**	**128.2**	**128.0**	**91.1**	**96.1**	**94.4**
Argentina	85.9	90.5	95.4	89.6	89.3	100.3	95.8	101.3	95.1
Bolivia (Plurinational State of)	132.7	145.1	143.9	125.0	133.9	131.3	106.1	108.3	109.6
Brazil	108.3	119.0	112.2	124.5	130.0	127.5	87.0	91.5	87.9
Chile	96.8	105.8	98.3	108.9	115.4	112.7	88.9	91.6	87.2
Colombia	97.6	109.0	103.9	144.5	140.1	143.0	67.5	77.8	72.7
Costa Rica	144.2	153.1	155.1	139.6	146.8	149.4	103.3	104.3	103.9
Dominican Republic	148.7	160.0	164.6	147.2	155.9	159.8	101.0	102.6	103.0
Ecuador	107.9	122.0	125.6	125.2	124.5	132.7	86.2	98.0	94.7
El Salvador	134.4	136.3	137.8	118.4	118.6	122.5	113.5	115.0	112.4
Guatemala	134.1	134.0	138.7	150.5	151.3	160.2	89.1	88.6	86.6
Haiti	176.0	191.4	213.2	169.2	180.4	204.4	104.0	106.1	104.3
Honduras	138.2	137.1	139.1	132.5	133.5	135.5	104.2	102.7	102.7
Mexico	137.1	150.9	154.3	142.6	151.6	153.4	96.2	99.5	100.6
Nicaragua	153.3	154.0	159.3	159.7	168.3	172.2	96.0	91.5	92.5
Panama	98.4	105.4	102.1	99.3	104.4	102.9	99.0	100.9	99.3
Paraguay	127.9	131.1	121.2	116.2	112.8	102.2	110.1	116.2	118.6
Peru	126.9	137.0	133.2	131.7	133.9	134.7	96.3	102.4	98.9
Uruguay	137.7	143.6	143.2	136.2	140.9	144.6	101.1	101.8	99.0
Venezuela (Bolivarian Republic of)	50.9	50.3	33.2	71.8	57.4	40.8	70.8	87.7	81.5

	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2017	2018	2019	2017	2018	2019	2017	2018	2019[a]
Latin America	**114.7**	**127.7**	**123.2**	**118.5**	**125.5**	**124.2**	**96.8**	**101.7**	**99.3**
Argentina	118.4	115.5	86.6	128.6	119.8	95.0	92.0	96.4	91.2
Bolivia (Plurinational State of)	173.4	186.8	180.8	110.4	114.8	110.9	157.0	162.8	163.1
Brazil	84.3	102.0	101.2	90.3	101.7	105.7	93.3	100.3	95.8
Chile	111.3	127.8	119.0	125.3	135.9	132.0	88.9	94.0	90.2
Colombia	115.2	129.1	132.3	136.0	144.6	156.6	84.7	89.3	84.5
Costa Rica	137.5	143.7	139.7	143.2	143.2	141.8	96.0	100.3	98.6
Dominican Republic	116.6	132.9	133.4	120.1	128.3	134.2	97.1	103.5	99.4
Ecuador	98.2	113.8	110.7	92.7	103.0	100.8	106.0	110.5	109.8
El Salvador	126.9	142.4	145.0	108.0	114.0	117.5	117.5	124.9	123.4
Guatemala	138.6	148.5	151.1	154.7	159.6	164.2	89.6	93.1	92.0
Haiti	120.2	149.0	139.5	102.7	116.3	109.6	117.0	128.1	127.3
Honduras	128.1	137.5	133.1	129.1	131.9	127.6	99.2	104.3	104.3
Mexico	139.4	154.0	151.0	139.9	148.7	147.6	99.7	103.5	102.4
Nicaragua	145.1	128.6	119.6	169.6	144.7	137.5	85.6	88.8	87.0
Panama	129.5	139.2	129.3	120.2	125.0	118.3	107.7	111.3	109.3
Paraguay	120.1	134.7	127.7	139.0	144.4	129.5	86.4	93.3	98.6
Peru	134.4	145.3	142.5	129.7	131.5	131.2	103.6	110.5	108.6
Uruguay	101.3	106.5	100.3	117.3	116.5	116.8	86.3	91.4	85.8
Venezuela (Bolivarian Republic of)	28.8	30.6	27.6	26.4	27.5	24.5	109.3	111.6	112.7

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)

	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America	**252 742**	**269 493**	**270 943**	**273 950**	**248 853**	**262 606**	**261 366**	**258 158**	**230 491**	**171 387**
Argentina	14 531	15 512	15 654	16 084	14 170	16 620	17 170	17 156	13 213	14 176
Bolivia (Plurinational State of)	2 088	2 361	2 353	2 093	1 999	2 169	2 433	2 218	2 038	...
Brazil	54 780	59 209	63 310	62 238	51 236	58 354	60 259	55 972	48 748	53 436
Chile	19 385	18 932	17 681	19 202	18 252	17 177	17 067	17 393	16 890	15 998
Colombia	9 718	10 838	10 829	10 520	9 594	10 708	9 587	9 600	8 801	6 364
Costa Rica	2 742	2 980	2 768	2 766	2 774	2 997	2 828	2 835	3 033	...
Dominican Republic	2 587	2 833	2 775	2 713	2 655	2 816	2 805	2 942	2 723	2 240
Ecuador	5 201	5 526	5 559	5 342	5 245	5 763	5 681	5 640	5 317	...
El Salvador	1 482	1 565	1 470	1 387	1 466	1 568	1 506	1 403	1 454	743
Guatemala	2 873	2 808	2 671	2 617	2 815	2 819	2 753	2 783	3 047	...
Honduras	2 290	2 261	2 129	1 906	2 192	2 296	2 212	2 015	2 166	...
Mexico	105 297	113 879	113 988	117 549	108 095	119 268	116 370	116 970	108 522	74 531
Nicaragua	733	671	596	517	691	...	...	...	...	...
Panama	3 476	3 576	3 380	2 924	2 954	3 244	3 247	3 503	...	...
Paraguay	3 463	3 559	3 248	3 461	3 199	3 191	3 223	3 089	2 996	2 146
Peru	11 951	12 593	12 042	12 480	11 253	11 590	12 132	12 714	10 119	...
Uruguay	1 726	2 004	1 877	1 893	1 638	2 029	2 092	1 923	1 424	1 752
Venezuela (Bolivarian Republic of)	8 419	8 389	8 612	8 257	8 627	...	...	...	...	...

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

Table A.10
Latin America: imports of goods, c.i.f.
(Millions of dollars)

		2018				2019				2020	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America		**246 919**	**262 885**	**275 729**	**270 264**	**245 993**	**249 378**	**262 694**	**248 837**	**225 953**	**142 870**
Argentina	CIF	16 918	18 015	17 196	13 353	12 166	12 988	13 307	10 663	9 904	9 388
Bolivia (Plurinational State of)	FOB	2 145	2 218	2 280	2 712	2 245	2 290	2 218	2 302	1 840	...
Brazil	FOB	43 517	42 864	52 773	47 336	43 679	43 498	51 756	46 105	46 011	36 847
Chile	FOB	16 428	17 554	17 866	18 708	16 449	16 297	16 879	16 099	14 135	11 986
Colombia	FOB	11 453	12 980	12 976	13 824	12 555	13 301	13 678	13 169	11 886	...
Costa Rica	CIF	3 899	4 339	3 967	4 362	4 001	3 982	3 936	4 112	3 856	...
Dominican Republic	CIF	4 599	5 066	5 197	5 347	4 791	5 133	5 258	5 107	4 585	3 535
Ecuador	CIF	5 261	5 760	6 021	6 135	5 562	5 877	5 674	5 451	4 983	...
El Salvador	CIF	2 693	3 055	3 074	3 008	2 905	3 071	3 039	3 003	2 829	2 065
Guatemala	CIF	4 479	5 144	4 989	5 062	4 772	4 923	5 020	5 167	4 738	...
Honduras	FOB	2 801	3 173	3 172	3 104	2 925	2 919	3 010	3 000	2 712	...
Mexico	FOB	107 025	116 622	119 743	120 913	109 868	114 260	117 411	113 757	104 800	75 594
Nicaragua	FOB	1 360	1 261	1 072	1 136	1 056	...	...	...	...	...
Panama	FOB	5 940	6 023	6 212	5 794	5 541	5 906	5 577	5 237	...	...
Paraguay	FOB	3 053	3 054	3 358	3 452	2 841	2 794	3 324	3 292	2 742	1 896
Peru	FOB	10 039	10 504	10 761	10 566	9 969	10 216	10 537	10 352	9 171	...
Uruguay	FOB	1 880	2 149	2 194	2 082	1 723	1 923	2 070	2 022	1 761	1 559
Venezuela (Bolivarian Republic of)	FOB	3 429	3 105	2 878	3 370	2 947	...	...	...	...	...

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

Table A.11
Latin America: terms of trade for goods f.o.b./f.o.b.
(Index 2010=100)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Latin America	**105.0**	**102.6**	**100.5**	**98.0**	**88.8**	**89.8**	**94.1**	**94.4**	**95.1**
Argentina	110.9	115.7	108.1	106.0	101.0	107.3	104.1	105.1	104.4
Bolivia (Plurinational State of)	118.1	112.3	100.4	95.1	71.2	60.1	67.6	66.6	67.2
Brazil	107.8	101.5	99.4	96.1	85.5	88.1	93.2	91.3	91.8
Chile	101.6	94.6	91.6	89.8	87.2	90.5	100.0	97.5	96.7
Colombia	114.8	108.5	100.7	91.6	69.0	68.2	79.7	87.2	86.0
Costa Rica	97.5	97.6	96.5	98.9	106.4	109.9	107.6	104.0	105.4
Dominican Republic	98.2	98.8	96.5	96.1	104.4	109.0	104.1	99.1	103.6
Ecuador	114.2	113.7	114.5	107.6	78.5	74.9	81.3	88.7	86.2
El Salvador	97.7	99.4	98.6	96.7	100.9	102.6	96.6	92.1	91.2
Guatemala	99.1	93.7	91.8	92.3	97.2	105.0	99.5	95.2	94.0
Haiti	83.0	86.0	80.6	83.1	87.4	86.4	88.9	82.8	82.0
Honduras	104.5	101.4	95.4	98.9	104.3	104.6	105.1	98.5	98.4
Mexico	97.8	97.3	97.8	97.1	93.0	93.6	96.5	96.1	98.3
Nicaragua	106.6	106.7	98.4	102.2	113.8	112.7	112.2	103.0	106.3
Panama	97.8	98.2	97.7	99.7	97.1	94.1	92.0	90.7	90.8
Paraguay	114.3	102.5	113.3	126.4	128.5	128.9	127.4	124.6	120.3
Peru	108.2	104.7	98.4	93.1	86.7	86.5	93.0	92.6	91.0
Uruguay	102.4	106.3	108.1	112.3	114.5	117.6	117.2	111.4	115.4
Venezuela (Bolivarian Republic of)	120.2	121.4	118.9	111.8	65.9	55.3	64.8	78.6	72.3

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)

	2015	2016	2017	2018	2019				2020	
					Q1	Q2	Q3	Q4	Q1	Q2[a]
Bolivia (Plurinational State of)	1 178	1 233	1 392	1 370	330	329	324	334	285	...
Brazil	2 459	2 365	2 300	2 565	693	690	787	793	821	504
Colombia	4 635	4 851	5 498	6 321	1 511	1 705	1 775	1 742	1 729	353[b]
Costa Rica	518	515	527	499	119	130	135	135	...	...
Dominican Republic	4 961	5 261	5 912	6 494	1 743	1 714	1 836	1 794	1 703	1 034
Ecuador	2 378	671	2 840	3 031	736	810	846	843	721	...
El Salvador	4 257	4 544	4 985	5 391	1 295	1 447	1 414	1 492	1 313	702
Guatemala	6 285	7 160	8 192	9 288	2 205	2 722	2 821	2 761	2 389	1 528
Honduras	3 727	3 949	4 438	4 884	1 193	1 380	1 489	1 461	1 220	749
Jamaica	2 226	2 291	2 305	2 346	555	603	620	636	566	182[b]
Mexico	24 785	26 993	30 291	33 677	7 852	9 403	9 687	9 104	9 297	2 861[b]
Nicaragua	1 193	1 264	1 391	1 501	384	413	...	...	...	...
Paraguay	461	547	587	569	127	145	138	145	115	20[b]
Peru	2 725	2 884	3 051	3 225	794	841	839	851	494	...

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.

Latin America and the Caribbean: net resource transfer[a]
(Millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[b]
Latin America and the Caribbean	**44 437**	**28 705**	**29 399**	**64 928**	**12 337**	**-14 744**	**-48 517**	**-40 246**	**-111 754**
Latin America	**47 630**	**32 337**	**32 148**	**64 646**	**13 498**	**-15 798**	**-48 202**	**-39 062**	**-113 685**
Argentina	-15 841	-14 921	-11 864	-1 240	611	17 224	29 327	19 707	-35 213
Bolivia (Plurinational State of)	638	-1 888	-1 838	-1 336	-811	-1 760	556	-382	-2 266
Brazil	65 194	38 810	36 374	62 844	18 078	-8 076	-23 062	-14 357	-32 662
Chile	3 006	-2 493	-486	-3 796	-1 460	-1 026	-7 757	-841	-574
Colombia	-1 945	1 760	5 224	11 678	13 252	6 973	2 381	2 540	6 885
Costa Rica	979	3 065	1 064	226	185	-1 429	-1 348	-873	-732
Dominican Republic	2 420	933	735	-882	-1 249	-1 659	-2 930	-1 837	-1 920
Ecuador	-522	-1 611	1 450	-1 286	-961	-1 094	-4 473	-1 323	-2 286
El Salvador	79	1 020	201	145	-225	-244	-615	-242	128
Guatemala	490	1 340	1 741	518	-207	-639	296	-1 127	-1 331
Haiti	573	788	625	325	165	261	349	456	64
Honduras	521	32	894	225	-144	-759	-234	-415	-566
Mexico	21 504	9 500	10 815	9 071	-15 581	-5 185	-14 138	-7 446	-29 584
Nicaragua	982	804	942	788	968	436	575	-922	-1 103
Panama	2 854	1 667	2 096	4 134	171	1 684	-322	510	1 022
Paraguay	-603	-1 184	-1 127	-279	-1 775	-1 794	-1 545	-1 464	-970
Peru	-5 495	7 738	1 214	-2 999	1 714	-3 749	-7 116	-11 622	-310
Uruguay	2 248	1 657	1 990	-428	-3 573	-5 104	-1 383	-3 792	-4 534
Venezuela (Bolivarian Republic of)	-29 453	-14 681	-17 901	-13 062	4 339	-9 856	-16 763	-15 631	-7 733
The Caribbean	**-3 193**	**-3 632**	**-2 749**	**282**	**-1 161**	**1 054**	**-315**	**-1 184**	**1 931**
Antigua and Barbuda	88	140	191	30	-55	-88	20	157	34
Bahamas	992	1 162	1 227	1 861	1 271	363	1 662	584	-69
Barbados	150	139	-38	188	-13	-154	-191	...	...
Belize	-64	-48	72	78	-24	-20	-46	-12	9
Dominica	64	77	23	26	32	119	38	218	194
Grenada	177	157	223	44	36	30	32	107	27
Guyana	388	466	411	344	146	-30	267	1 355	1 804
Jamaica	1 326	400	860	1 591	452	-247	480	-568	-144
Saint Kitts and Nevis	142	52	50	-40	-23	97	107	10	58
Saint Lucia	231	158	84	2	-92	-6	-72	-193	-240
Saint Vincent and the Grenadines	163	208	247	183	113	122	78	83	111
Suriname	-569	-175	-84	196	544	783	-433	-75	147
Trinidad and Tobago	-6 281	-6 369	-6 015	-4 222	-3 548	84	-2 257	-2 850	...

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019[b]
Latin America and the Caribbean	**150 256**	**160 318**	**151 649**	**136 017**	**131 476**	**126 672**	**119 193**	**150 149**	**123 743**
Latin America	**148 554**	**159 726**	**150 473**	**133 261**	**128 930**	**124 718**	**117 582**	**147 619**	**120 912**
Argentina	9 352	14 269	8 932	3 145	10 884	1 474	10 361	10 071	5 124
Bolivia (Plurinational State of)	859	1 060	1 750	690	556	246	633	387	-285
Brazil	86 360	90 485	59 568	67 107	57 200	59 601	47 545	76 138	56 474
Chile	5 313	10 812	12 322	10 758	4 948	5 334	993	6 742	3 500
Colombia	6 227	15 646	8 558	12 270	7 506	9 330	10 147	6 409	11 342
Costa Rica	2 328	1 803	2 401	2 818	2 541	2 127	2 583	2 183	2 481
Dominican Republic	2 277	3 142	1 991	2 209	2 205	2 407	3 571	2 535	3 013
Ecuador	646	567	727	777	1 331	756	625	1 456	938
El Salvador	218	466	179	306	396	348	889	826	662
Guatemala	1 140	1 226	1 449	1 388	1 048	965	934	791	817
Haiti	119	156	162	99	106	105	375	105	75
Honduras	1 012	851	992	1 315	952	900	1 035	895	500
Mexico	12 277	-1 142	32 717	22 922	24 749	30 627	30 257	27 117	23 591
Nicaragua	929	712	815	983	922	924	971	763	444
Panama	2 956	3 254	3 612	4 130	3 966	4 652	4 314	5 134	4 201
Paraguay	581	697	245	412	308	425	526	481	480
Peru	7 340	11 867	9 334	2 823	8 125	5 583	6 360	6 469	7 996
Uruguay	2 511	2 175	2 792	2 512	815	-1 115	-2 236	-1 108	-439
Venezuela (Bolivarian Republic of)	6 110	1 679	1 928	-3 401	370	27	-2 302	225	...
The Caribbean	**1 702**	**592**	**1 176**	**2 757**	**2 546**	**1 955**	**1 611**	**2 530**	**2 831**
Antigua and Barbuda	65	133	95	40	100	59	144	193	154
Bahamas	669	530	688	475	526	390	305	491	265
Barbados	83	565	-62	...	...	...	...	...	...
Belize	94	193	92	138	59	42	24	121	101
Dominica	35	59	23	14	19	41	23	77	33
Grenada	43	31	113	100	137	93	152	166	123
Guyana	247	294	214	255	122	6	212	1 232	1 695
Jamaica	144	411	631	523	891	658	855	762	219
Saint Kitts and Nevis	110	108	136	151	133	124	42	36	90
Saint Lucia	81	74	92	98	129	149	59	67	48
Saint Vincent and the Grenadines	86	115	160	119	116	89	143	34	97
Suriname	73	173	188	164	267	300	98	119	7
Trinidad and Tobago	-26	-2 094	-1 192	679	48	2	-445	-767	...

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.15
Latin America and the Caribbean: total gross external debt[a]
(Millions of dollars, end-of-period stocks)

		2012	2013	2014	2015	2016	2017	2018	2019
Latin America and the Caribbean		**1 511 962**	**1 645 983**	**1 824 512**	**1 848 015**	**1 917 057**	**2 019 637**	**2 097 123**	**2 162 656**
Latin America		**1 493 520**	**1 626 308**	**1 803 811**	**1 825 364**	**1 892 557**	**1 993 865**	**2 071 017**	**2 137 053**
Argentina	Total	156 478	155 489	158 742	167 412	181 170	234 549	277 932	278 489
	Public	91 861	91 444	98 229	101 659	121 760	161 290	197 330	197 401
	Private	64 617	64 045	60 513	65 753	59 410	73 259	80 602	81 088
Bolivia (Plurinational State of)	Total	6 625	7 756	8 543	9 445	10 703	11 702	12 491	13 478
	Public	4 196	5 262	5 736	6 341	7 268	9 428	10 178	11 268
	Private	2 430	2 494	2 807	3 104	3 435	2 274	2 313	2 210
Brazil	Total	570 831	621 439	712 655	665 101	675 841	667 103	665 777	675 789
	Public	82 245	122 641	139 051	130 587	130 274	125 492	129 139	123 810
	Private	442 577	498 797	573 604	534 513	545 567	541 611	536 638	551 979
Chile	Total	122 668	136 351	152 135	160 904	164 815	180 449	184 548	198 104
	Public	27 757	27 994	31 285	31 831	35 370	47 270	51 249	59 424
	Private	94 912	108 357	120 849	129 073	129 445	133 179	133 299	138 680
Colombia	Total	78 784	92 073	101 404	110 502	120 153	124 636	132 016	138 158
	Public	46 116	52 216	59 767	66 158	71 308	71 870	72 999	73 835
	Private	32 669	39 856	41 637	44 344	48 844	52 767	59 017	64 323
Costa Rica	Total	15 256	19 504	21 628	23 576	25 565	26 947	29 035	30 882
	Public	3 725	7 381	8 974	10 363	10 756	11 016	11 808	13 241
	Private	11 531	12 123	12 654	13 213	14 809	15 930	17 227	17 642
Dominican Republic	Public	12 872	14 919	16 074	16 029	17 567	18 821	21 565	23 383
Ecuador	Total	15 913	18 788	24 112	27 933	34 181	40 318	44 232	52 503
	Public	10 768	12 920	17 582	20 226	25 680	31 750	35 730	41 496
	Private	5 145	5 868	6 531	7 707	8 909	8 568	8 502	11 007
El Salvador	Total	13 353	14 035	14 800	15 217	16 376	16 474	16 603	17 410
	Public	7 636	7 764	8 673	8 553	9 169	9 414	9 236	9 941
	Private	5 717	6 271	6 127	6 663	7 207	7 060	7 367	7 469
Guatemala	Total	17 452	19 825	21 577	22 235	23 333	24 982	24 454	25 074
	Public	7 058	7 573	7 617	8 007	8 645	8 912	8 729	9 704
	Private	10 394	12 252	13 960	14 228	14 687	16 071	15 725	15 370
Haiti	Total	1 070	1 478	1 833	1 985	2 013	2 133	2 125	2 104
	Public	1 067	1 475	1 830	1 981	2 009	2 129	2 122	2 100
	Private	3	3	4	4	5	4	3	4
Honduras	Total	4 861	6 709	7 184	7 456	7 499	8 572	9 016	9 518
	Public	3 664	5 202	5 569	5 927	6 108	7 145	7 375	7 699
	Private	1 197	1 507	1 616	1 530	1 391	1 428	1 641	1 819
Mexico	Total	226 492	259 977	286 624	298 398	314 202	333 398	342 711	355 795
	Public	125 726	134 436	147 666	162 210	180 986	193 981	202 355	204 684
	Private	100 766	125 541	138 958	136 189	133 216	139 417	140 356	151 111
Nicaragua	Total	8 957	9 677	10 134	10 548	11 054	11 551	11 703	11 958
	Public	4 481	4 724	4 796	4 804	5 042	5 546	5 950	6 279
	Private	4 476	4 954	5 338	5 743	6 011	6 005	5 753	5 679
Panama	Public	10 782	12 231	14 352	15 648	16 902	18 390	20 575	24 223
Paraguay	Total	4 563	4 780	5 839	6 197	6 677	7 738	8 581	9 492
	Public	2 241	2 677	3 680	3 993	4 823	5 592	6 403	7 229
	Private	2 322	2 103	2 159	2 203	1 854	2 146	2 178	2 263
Peru	Total	59 376	60 823	69 215	73 274	74 645	76 499	77 787	80 089
	Public	26 510	24 079	23 890	26 781	29 623	31 921	35 078	39 334
	Private	32 866	36 744	45 325	46 493	45 022	44 578	42 708	40 756
Uruguay	Total	36 403	38 092	41 194	43 752	40 002	41 274	41 435	42 705
	Public	16 665	18 047	18 959	18 977	17 944	18 628	19 199	20 206
	Private	19 737	20 045	22 234	24 775	22 058	22 645	22 236	22 499
Venezuela (Bolivarian Republic of)	Total	130 785	132 362	135 767	149 755	149 859	148 328	148 432	147 899
	Public	113 112	112 103	117 217	128 283	128 056	128 768	128 543	129 260
	Private	17 673	20 259	18 550	21 472	21 803	21 199	19 889	18 639

Table A.15 (conclusión)

		2012	2013	2014	2015	2016	2017	2018	2019
The Caribbean		**18 442**	**19 675**	**20 701**	**22 651**	**24 500**	**25 771**	**26 106**	**25 603**
Antigua and Barbuda	Public	445	577	560	573	562	584	613	605
Bahamas	Public	1 465	1 616	2 095	2 176	2 373	3 234	3 172	3 123
Barbados	Public	1 322	1 434	1 521	1 460	1 442	1 412	1 597	1 547
Belize	Public	1 029	1 083	1 126	1 179	1 204	1 257	1 285	1 309
Dominica	Public	263	273	278	285	288	257	258	232
Grenada	Public	535	562	578	613	602	533	562	517
Guyana	Public	1 359	1 246	1 216	1 143	1 162	1 248	1 322	1 306
Jamaica	Public	8 256	8 310	8 659	10 314	10 244	10 103	9 937	9 253
Saint Kitts and Nevis	Public	317	320	280	214	199	156	149	143
Saint Lucia	Public	435	488	526	585	578	658	642	647
Saint Vincent and the Grenadines	Public	329	354	385	399	455	387	391	385
Suriname	Public	707	878	942	1 156	1 872	2 046	2 060	2 298
Trinidad and Tobago	Public	1 981	2 534	2 537	2 553	3 519	3 896	4 119	4 238

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 Global
(Basis points to end of period)

	2015	2016	2017	2018	2019				2020	
					March	June	September	December	March	June
Latin America	**599**	**473**	**419**	**568**	**488**	**517**	**465**	**346**	**703**	**552**
Argentina	438	455	351	817	774	835	2 143	1 744	3 803	2 495
Belize	822	1 837	771	858	845	837	878	869	1 039	1 515
Bolivia (Plurinational State of)	250	83	203	378	280	253	291	218	645	630
Brazil	548	330	232	273	248	232	239	212	389	373
Chile	253	158	117	166	133	135	139	135	301	211
Colombia	317	225	173	228	184	181	183	161	376	293
Dominican Republic	421	407	275	371	318	334	358	309	621	567
Ecuador	1 266	647	459	826	592	580	677	826	4 553	3 373
El Salvador	634	536	383	515	447	459	461	394	825	832
Jamaica	469	375	304	346	318	327	330	282	577	479
Mexico	315	296	245	357	308	329	317	292	653	526
Panama	214	187	119	171	145	139	139	114	283	212
Paraguay	338	281	200	260	222	212	237	203	429	312
Peru	240	170	136	168	130	124	131	107	265	182
Uruguay	280	244	146	207	170	172	177	148	298	215
Venezuela (Bolivarian Republic of)	2 807	2 168	4 854	6 845	5 224	8 867	18 473	14 740	19 270	30 757

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)

	2015	2016	2017	2018	2019				2020	
					March	June	September	December	March	June
Argentina	5 393	419	232	794	781	971	899	899	899	899
Brazil	495	281	162	208	180	150	137	99	276	257
Chile	129	83	49	63	45	39	37	42	130	86
Colombia	243	164	105	157	111	92	93	72	232	161
Mexico	170	156	106	155	125	112	116	79	241	158
Panama	182	127	67	85	68	57	55	41	144	113
Peru	188	108	72	94	67	54	55	41	119	92
Venezuela (Bolivarian Republic of)	4 868	3 750	15 047	8 281	7 721	5 381	5 381	5 381	5 381	5 381

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
(Millions of dollars)

	2015	2016	2017	2018	2019				2020	
					Q1	Q2	Q3	Q4	Q1	Q2
Total	**79 033**	**129 364**	**144 202**	**93 358**	**22 359**	**33 654**	**39 295**	**22 519**	**44 665**	**44 027**
Latin America and the Caribbean[a]	**75 863**	**124 528**	**140 355**	**88 082**	**19 909**	**33 516**	**39 195**	**21 317**	**44 665**	**41 238**
Argentina	3 586	33 783	27 676	13 367	-	500	1 100	120	-	250
Bahamas	-	-	750	-	-	-	-	-	-	-
Barbados	320	-	-	-	-	-	-	-	-	-
Bolivia (Plurinational State of)	-	-	1 000	-	-	-	-	-	-	-
Brazil	7 188	20 481	32 066	18 979	7 700	6 226	7 370	7 851	8 200	7 250
Chile	7 650	5 336	14 449	8 635	2 774	4 428	2 577	2 849	10 358	5 457
Colombia	6 400	4 061	7 842	5 786	2 410	50	1 383	950	4 279	4 900
Costa Rica	1 127	500	300	-	-	-	-	1 500	-	-
Dominican Republic	3 500	1 870	2 017	3 118	-	2 500	-	-	2 500	-
Ecuador	1 500	2 750	5 800	3 000	1 400	1 125	2 000	-	327	-
El Salvador	300	-	951	-	-	-	1 097	-	-	-
Guatemala	-	700	1 330	-	-	1 200	-	-	-	1 200
Honduras	-	-	850	-	-	-	-	-	-	600
Jamaica	2 925	364	869	-	600	-	815	-	225	-
Mexico	30 375	41 539	29 222	23 879	3 101	11 044	16 872	2 530	14 826	10 950
Panama	1 700	2 200	3 321	2 636	-	1 800	2 100	1 900	2 500	350
Paraguay	280	600	500	530	800	732	-	-	800	1 000
Peru	6 407	1 960	9 062	5 876	273	3 911	2 827	2 991	650	5 150
Suriname	-	636	-	-	-	-	-	125	-	-
Trinidad and Tobago	-	1 600	-	525	-	-	-	500	-	500
Uruguay	2 605	1 147	2 350	1 750	850	-	1 055	-	-	2 505
Venezuela (Bolivarian Republic of)	-	5 000	-	-	-	-	-	-	-	1 125
Supranational issues	**3 171**	**4 837**	**3 847**	**5 276**	**2 450**	**138**	**100**	**1 202**	**-**	**2 789**
Central American Bank for Economic Integration (CABEI)	521	887	382	772	198	50	-	375	-	1 181
Caribbean Development Bank (CDB)	-	-	-	-	-	-	-	-	-	-
Foreign Trade Bank of Latin America (BLADEX)	-	73	-	-	-	76	-	-	-	-
Development Bank of Latin America (CAF)	2 650	3 376	3 465	4 503	2 102	12	100	827	-	1 608
Inter-American Investment Corporation (IIC)	-	500	-	-	-	-	-	-	-	-
Financial Fund for the Development of the River Plate Basin (FONPLATA)	-	-	-	-	150	-	-	-	-	-

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.

Table A.19
Latin America and the Caribbean: stock exchange indices
(National indices to end of period, 31 December 2005=100)

	2015	2016	2017	2018	2019				2020	
					March	June	September	December	March	June
Argentina	757	1 096	1 948	1 963	2 168	2 708	1 883	2 700	1 580	2 507
Brazil	130	180	228	263	285	302	313	346	218	284
Chile	187	211	283	260	268	258	258	238	178	202
Colombia	90	106	121	117	137	133	135	…	…	…
Costa Rica	80	114	116	92	80	78	72	77	69	49
Ecuador	161	150	185	203	201	201	194	195	202	196
Jamaica	144	184	276	363	372	448	494	488	363	363
Mexico	241	256	277	234	243	242	242	245	194	212
Peru	205	324	416	403	439	429	408	427	301	351
Trinidad and Tobago	109	113	119	122	124	131	131	138	123	123

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)

	2015	2016	2017	2018	2019				2020	
					March	June	September	December	March	June
Latin America and the Caribbean	**811 779**	**830 960**	**859 335**	**867 078**	**888 765**	**902 933**	**873 160**	**848 997**	**837 470**	**862 939**
Latin America	**794 866**	**814 069**	**842 692**	**851 330**	**872 929**	**887 359**	**857 604**	**832 975**	**823 063**	**848 008**
Argentina	25 563	38 772	55 055	65 806	66 187	64 278	48 703	44 781	43 561	43 242
Bolivia (Plurinational State of)	13 056	10 081	10 261	8 946	7 947	8 317	7 650	6 468	6 091	6 272
Brazil	356 464	365 016	373 972	374 715	384 165	388 092	376 434	356 884	343 165	348 781
Chile	38 459	39 883	38 708	38 909	37 902	39 083	39 770	37 438	36 885	37 123
Colombia	46 740	46 683	47 637	48 402	51 267	52 449	52 875	53 174	53 341	56 629
Costa Rica	7 834	7 574	7 150	7 501	8 356	7 810	7 482	8 937	8 059	8 600
Dominican Republic	5 266	6 047	6 781	7 628	7 354	8 712	7 591	8 782	9 325	7 172
Ecuador[a]	2 496	4 259	2 451	2 677	3 973	4 095	5 130	3 397	1 990	2 666
El Salvador	2 787	3 238	3 567	3 569	3 869	4 178	4 735	4 446	3 998	3 442
Guatemala[a]	7 751	9 160	11 770	12 756	12 759	14 280	14 516	14 789	15 338	16 992
Haiti	977	1 105	1 258	1 309	1 335	1 288	1 288	1 324	1 355[b]	…
Honduras	3 874	4 100	5 012	5 073	5 050	5 283	5 272	6 029	6 304	6 349[c]
Mexico	177 597	178 025	175 450	176 384	182 071	186 209	182 915	183 028	189 780	199 820
Nicaragua	2 353	2 296	2 593	2 081	1 941	1 979	2 036	2 174	2 369	2 525[d]
Panama	3 911	4 511	3 531	2 932	2 709	2 928	3 292	4 146	3 223	5 633[c]
Paraguay	6 200	7 144	8 146	7 970	8 306	7 935	7 733	7 675	8 241	9 238
Peru	61 537	61 746	63 731	60 288	63 151	66 714	67 893	68 370	68 150	71 472
Uruguay	15 634	13 436	15 959	15 557	16 356	15 618	14 285	14 505	15 340	15 576
Venezuela (Bolivarian Republic of)	16 367	10 992	9 662	8 830	8 231	8 110	8 005	6 630	6 549	6 476
The Caribbean	**16 913**	**16 892**	**16 643**	**15 748**	**15 835**	**15 574**	**15 556**	**16 022**	**14 407**	**14 931**
Antigua and Barbuda[a]	356	330	314	328	320	273	250	279	…	…
Bahamas	808	902	1 408	1 197	1 392	1 563	1 557	1 759	2 001	1 972[d]
Barbados	484	320	206	500	532	601	612	739	786	851[d]
Belize	432	371	306	287	268	270	264	271	253	263
Dominica[a]	125	221	211	189	178	172	174	166	…	…
Grenada[a]	189	201	195	231	242	232	229	234	…	…
Guyana	599	616	584	528	516	522	528	576	499	527[d]
Jamaica	2 914	3 291	3 781	3 532	3 605	3 537	3 582	3 631	3 688	3 905
Saint Kitts and Nevis[a]	280	313	357	355	363	320	297	346	…	…
Saint Lucia[a]	298	289	307	275	297	278	249	253	…	…
Saint Vincent and the Grenadines[a]	165	191	180	168	198	191	216	192	…	…
Suriname	330	381	424	581	573	622	700	648	554	520[d]
Trinidad and Tobago[a]	9 933	9 466	8 370	7 575	7 351	6 994	6 899	6 929	6 626	6 894[d]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Net international reserves.
[b] Figures as of January.
[c] Figures as of April.
[d] Figures as of May.

Table A.21
Latin America and the Caribbean: real effective exchange rates[a] [b]
(Index 2005=100, average values for the period)

	2015	2016	2017	2018	2019[c]				2020[c]	
					Q1	Q2	Q3	Q4	Q1	Q2[d]
Latin America and the Caribbean[e]	**84.4**	**85.4**	**84.2**	**86.1**	**86.1**	**86.8**	**86.6**	**87.7**	**88.6**	**90.6**
Barbados	84.4	82.9	80.7	79.9	78.7	78.1	76.1	75.3	76.0	76.3
Bolivia (Plurinational State of)	65.0	61.8	63.8	60.5	58.2	57.8	56.5	55.4	55.1	51.4
Brazil	102.8	97.9	89.4	99.7	97.9	101.2	101.4	104.8	112.2	134.9
Chile	108.5	107.2	103.6	101.7	103.1	104.8	106.8	113.8	119.3	119.5
Colombia	99.5	102.4	97.7	96.1	97.5	100.7	102.3	104.1	106.7	113.3
Costa Rica	72.6	73.9	77.6	78.9	81.4	79.7	76.2	76.6	75.7	74.3
Dominica	110.3	109.7	111.1	112.8	112.2	112.0	110.9	111.8	112.7	112.2
Dominican Republic	110.7	110.8	114.2	117.0	116.1	116.5	116.9	119.3	120.5	122.6
Ecuador	82.8	81.0	83.5	85.1	83.2	83.9	83.1	83.3	83.0	79.7
El Salvador	100.7	100.1	101.9	102.4	101.2	102.2	102.4	103.0	103.4	101.5
Guatemala	77.0	72.5	68.6	69.1	68.6	68.0	68.0	68.3	67.8	65.4
Honduras	81.8	83.0	84.4	84.1	83.2	83.0	82.5	82.5	81.6	39.8
Jamaica	87.5	91.5	92.6	88.5	81.6	84.7	83.3	83.1	84.1	84.0
Mexico	121.5	139.8	136.7	135.8	131.3	131.7	133.2	130.5	133.8	158.3
Nicaragua	91.1	91.4	95.3	95.5	92.4	93.3	92.7	93.3	91.6	85.8
Panama	85.0	84.0	85.3	86.9	86.7	86.9	86.7	87.3	87.4	85.8
Paraguay	66.7	69.2	71.0	67.2	68.3	69.3	67.5	69.1	68.4	63.4
Peru	94.1	95.3	92.1	93.6	92.0	91.4	91.1	91.7	92.1	88.4
Trinidad and Tobago	60.6	61.2	63.0	63.9	62.9	63.4	62.9	63.1	62.7	61.2
Uruguay	69.7	69.2	65.3	63.4	62.0	65.4	64.6	66.5	67.6	67.7

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.22
Latin America and the Caribbean: participation rate
(Average annual rates)

			2013	2014	2015	2016	2017	2018	2019[a]	2019[a]	2020[a]
										First quarter	
Latin America and the Caribbean[b]		**Total**	**62,3**	**62,1**	**62,0**	**62,1**	**62,4**	**62,6**	**62,5**	**62,5**	**61,7**
Argentina[c]	Urban areas	Total	58.9	58.3	57.7[d]	57.5[e]	57.8	58.5	59.1	58.9	58.6
		Female	47.1	46.9	46.4[d]	46.9[e]	47.1	48.7	49.4	49.0	50.8
		Male	72.0	70.9	70.1[d]	69.4[e]	69.7	69.6	69.9	69.8	70.0
Bahamas	Nationwide total	Total	73.2	73.7	74.3	77.1	80.5	82.8	80.3	…	…
		Female	70.1	70.1	71.7	73.1	74.7	76.7	75.5	…	…
		Male	76.9	77.8	79.5	81.7	83.7	85.5	83.0	…	…
Barbados	Nationwide total	Total	66.7	63.8	65.1	66.5	65.3	64.8	63.4	…	…
		Female	61.8	60.4	61.7	62.8	61.5	60.6	59.9	…	…
		Male	72.3	67.7	68.7	70.4	69.7	69.4	67.4	…	…
Belize	Nationwide total	Total	64.0	63.6	63.2	64.0	64.1	65.5	68.1	…	…
		Female	49.8	49.2	48.7	50.3	50.2	52.9	56.0	…	…
		Male	78.3	78.2	77.8	78.0	78.2	78.3	80.5	…	…
Bolivia (Plurinational State o)[f]	Nationwide total	Total	63.4	65.8	61.0 l	66.0	67.4	70.8	73.0	72.5	73.7
		Female	54.8	57.1	50.4 l	56.1	58.3	63.0	63.5	62.9	64.2
		Male	72.6	75.0	72.1 l	76.4	76.8	79.1	79.9	79.4	80.1
Brazil	Nationwide total	Total	61.3	61.0	61.3	61.4	61.7	61.6	62.0	61.7	61.0
		Female	50.7	50.6	51.2	51.4	52.3	52.5	53.2	52.8	52.1
		Male	72.9	72.5	72.4	72.3	72.0	71.7	71.7	71.6	70.8
Chile	Nationwide total	Total	59.6	59.8	59.7	59.5	59.7	59.7	62.8	62.7	62.5
		Female	47.7	48.4	48.2	48.0	48.5	49.1	52.5	51.9	52.1
		Male	71.8	71.6	71.5	71.3	71.2	70.6	73.6	73.9	73.3
Colombia	Nationwide total	Total	64.2	64.2	64.7	64.5	64.4	64.0	62.9	63.1	61.1
		Female	53.9	54.0	54.8	54.5	54.5	53.8	52.5	52.8	50.3
		Male	74.9	74.9	75.2	74.9	74.8	74.6	73.7	73.9	72.5
Costa Rica	Nationwide total	Total	62.2	62.6	61.2	58.4	58.8	60.7	62.5	62.4	63.4
		Female	48.6	49.2	48.1	44.3	44.5	46.9	50.6	50.3	52.1
		Male	75.5	75.9	74.3	72.4	73.0	74.3	74.4	74.4	74.7
Cuba	Nationwide total	Total	72.9	71.9	67.1	65.2	63.4	63.8	…	…	…
		Female	57.3	56.3	52.6	50.9	49.4	49.5	…	…	…
		Male	87.1	86.2	80.4	78.2	76.2	76.9	…	…	…
Dominican Republic[g]	Nationwide total	Total	58.7	59.1 l	61.8	62.3	62.2	63.6	65.1	64.9	63.4
		Female	43.7	44.0 l	48.1	48.9	49.0	50.4	52.7	51.9	51.5
		Male	74.1	74.6 l	76.3	76.6	76.1	77.8	78.4	78.8	76.3
Ecuador[h]	Nationwide total	Total	62.1	63.2	66.2	68.2	68.8	67.0	66.6	66.5	…
		Female	47.7	48.5	52.7	56.2	56.9	55.0	54.5	53.9	…
		Male	77.2	78.8	80.5	81.0	81.0	79.7	78.3	78.7	…
El Salvador	Nationwide total	Total	63.6	63.6	62.8	62.1	61.9	61.3	…	…	…
		Female	49.3	49.3	47.8	46.7	46.3	46.1	…	…	…
		Male	80.7	80.7	80.7	80.2	80.6	79.5	…	…	…
Guatemala	Nationwide total	Total	60.6	60.9	60.7	60.8	61.0	60.2[i]	59.3	…	…
		Female	40.6	40.6	38.9	39.2	39.2	39.2[i]	37.0	…	…
		Male	83.4	83.8	84.7	85.0	85.3	84.2[i]	84.3	…	…
Honduras	Nationwide total	Total	53.7	56.0	58.3	57.5	59.0	60.4	57.3	…	…
		Female	37.2	40.6	44.1	43.0	43.8	46.0	41.4	…	…
		Male	72.1	73.6	74.4	74.0	76.0	76.3	75.1	…	…

Table A.22 (concluded)

			2013	2014	2015	2016	2017	2018	2019[a]	2019[a]	2020[a]
										First quarter	
Jamaica	Nationwide total	Total	63.0	62.8	63.1	64.8	65.1	64.1	62.8	62.3	64.1[j]
		Female	56.2	55.9	56.3	58.6	59.1	58.0	56.3	56.2	57.9[j]
		Male	70.0	70.0	70.3	71.2	71.3	70.4	69.5	68.5	70.5[j]
Mexico[k]	Nationwide total	Total	60.3	59.8	59.8	59.7	59.3	59.6	60.1	59.5	59.9
		Female	43.9	43.1	43.4	43.4	43.0	43.5	44.7	43.8	45.0
		Male	78.5	78.3	78.0	77.7	77.6	77.4	77.1	76.9	76.4
Nicaragua	Nationwide total	Total	75.8	74.0	72.4	73.6	73.5	71.7	71.1	71.7	71.0
		Female	65.1	63.0	60.9	63.1	63.2	61.6	61.0	61.9	61.1
		Male	87.3	85.8	84.6	84.9	84.7	82.6	82.3	82.5	82.1
Panama	Nationwide total	Total	64.1	64.0	64.2	64.4	64.0	65.4	66.5	…	…
		Female	49.2	49.8	50.8	51.1	51.2	52.8	55.0	…	…
		Male	79.7	79.4	78.4	78.6	77.6	78.8	78.8	…	…
Paraguay[l]	Nationwide total	Total	62.6	61.6	62.1	62.6 l	71.0	71.9	72.4	73.6	71.2
		Female	51.9	49.6	50.2	50.8 l	57.8	59.4	60.2	61.3	59.1
		Male	73.8	74.1	74.1	74.5 l	84.4	84.5	84.8	86.2	83.8
Peru	Nationwide total	Total	73.2	72.3	71.6	72.2	72.4	72.2	72.6	72.9	70.2
		Female	64.5	63.3	62.3	63.3	64.0	64.2	59.8	…	…
		Male	82.0	81.4	81.0	81.2	81.0	80.2	75.6	…	…
Trinidad and Tobago	Nationwide total	Total	61.3	61.9	60.6	59.7	59.2	58.9	…	…	…
		Female	…	51.8	50.1	50.1	49.5	49.4	…	…	…
		Male	…	72.2	71.2	69.5	68.9	68.1	…	…	…
Uruguay	Nationwide total	Total	63.6	64.7	63.8	63.4	62.9	62.4	62.1	62.4	62.9
		Female	56.4	55.9	55.4	55.3	55.0	54.9	54.9	55.3	56.7
		Male	73.9	74.3	72.9	72.3	71.4	70.7	70.1	70.3	69.6
Venezuela (Bolivarian Republic of)	Nationwide total	Total	64.3	65.3	63.7	64.0	65.6	67.0	…	…	…
		Female	50.6	52.1	49.8	50.2	52.8	55.0	…	…	…
		Male	78.1	78.7	77.9	77.9	80.0	81.0	…	…	…

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] New measurements have been used since 2016; the data are not comparable with the previous series.

[g] New measurements have been used since 2015; 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 figures correspond to the measurement for June.

[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] New measurements have been used since 2017; the data are not comparable with the previous series.

Table A.23
Latin America and the Caribbean: national unemployment[a]
(Average annual rates)

			2012	2013	2014	2015	2016	2017	2018	2019[b]	2019[b]	2020[b]
											First quarter	First quarter
Latin America and the Caribbean[c]		**Total**	**6.4**	**6.3**	**6.1**	**6.6**	**7.8**	**8.1**	**7.9**	**8.1**	**8.9**	**9.0**
		Female	**7.7**	**7.5**	**7.1**	**7.7**	**9.0**	**9.3**	**9.1**	**9.6**	**10.4**	**10.5**
		Male	**5.5**	**5.4**	**5.3**	**5.7**	**6.9**	**7.1**	**6.9**	**7.1**	**7.6**	**7.7**
Latin America												
Argentina	Urban areas	Total	7.2	7.1	7.3	6.5[d]	8.5[e]	8.4	9.2	9.8	10.1	10.4
		Female	8.8	8.5	8.4	7.6[d]	9.4[e]	9.5	10.5	10.7	11.2	11.2
		Male	6.1	6.1	6.5	5.7[d]	7.8[e]	7.5	8.2	9.2	9.2	9.7
Bolivia (Plurinational State of)[f]	Nationwide total	Total	2.3	2.9	2.3	3.5	3.5	3.6	3.5	3.7	4.4	4.2
		Female	3.1	3.5	3.1	4.2	5.1	4.1	3.6	4.1	5.6	4.6
		Male	1.6	2.3	1.7	3.0	3.1	3.3	3.4	3.4	4.4	4.2
Brazil	Nationwide total	Total	7.3	7.1	6.8	8.5	11.5	12.7	12.3	11.9	12.7	12.2
		Female	9.2	8.9	8.2	10.1	13.3	14.6	14.1	14.0	14.9	14.5
		Male	6.0	5.8	5.7	7.3	10.1	11.3	10.8	10.1	10.9	10.4
Chile	Nationwide total	Total	6.6	6.1	6.5	6.3	6.7	7.0	7.4	7.2	7.2	8.2
		Female	8.1	7.1	7.1	7.0	7.2	7.6	8.3	8.0	8.3	9.7
		Male	5.6	5.4	6.1	5.8	6.3	6.5	6.7	6.7	6.5	7.1
Colombia[g]	Nationwide total	Total	9.7	9.0	8.5	8.3	8.6	8.8	9.1	9.9	11.2	11.9
		Female	12.7	11.7	11.0	10.8	11.1	11.4	11.6	12.6	14.5	15.3
		Male	7.5	7.0	6.7	6.4	6.8	6.9	7.1	7.8	8.8	9.5
Costa Rica	Nationwide total	Total	10.2	9.4	9.6	9.6	9.5	9.1	10.3	11.8	11.3	12.5
		Female	12.2	11.1	11.9	12.2	12.1	11.6	13.2	15.3	14.2	18.0
		Male	8.9	8.3	8.1	8.0	8.0	7.5	8.4	9.3	9.3	8.6
Cuba	Nationwide total	Total	3.5	3.3	2.7	2.4	2.0	1.7	1.7	…	…	…
		Female	3.6	3.5	3.1	2.6	2.2	1.6	1.8	…	…	…
		Male	3.4	3.1	2.4	2.3	1.9	1.7	1.6	…	…	…
Dominican Republic[h]	Nationwide total	Total	6.7	7.4	6.7	7.3	7.1	5.5	5.7	6.2	5.8	5.7
		Female	9.2	10.5	9.7	10.5	10.5	7.8	8.8	9.3	8.9	8.6
		Male	5.1	5.3	4.8	5.2	4.8	4.0	3.5	3.9	3.7	3.6
Ecuador[g]	Nationwide total	Total	3.2	3.0	3.4	3.6	4.5	3.8	3.5	3.8	3.9	…
		Female	3.8	3.7	4.1	4.5	5.8	4.9	4.4	4.6	4.8	…
		Male	2.8	2.7	3.0	3.0	3.7	3.0	2.9	3.2	3.3	…
El Salvador	Nationwide total	Total	6.1	5.9	7.0	7.0	7.0	7.0	6.3	…	…	…
		Female	4.3	4.7	4.7	5.0	5.3	5.2	4.9	…	…	…
		Male	7.3	6.8	8.6	8.4	8.1	8.3	7.3	…	…	…
Guatemala	Nationwide total	Total	2.9	3.1	2.9	2.6	2.7	2.5	2.4	2.6	…	…
		Female	3.6	3.7	3.5	3.6	3.5	3.5	3.0	3.5	…	…
		Male	2.4	2.7	2.6	2.0	2.2	2.0	2.1	2.0	…	…
Honduras	Nationwide total	Total	3.6	3.9	5.3	7.3	7.4	6.7	5.7	5.7	…	…
		Female	5.0	5.0	6.7	11.7	10.7	10.8	7.4	8.1	…	…
		Male	2.9	3.3	4.5	4.4	5.1	4.0	4.5	4.2	…	…
Mexico	Nationwide total	Total	5.0	4.9	4.8	4.4	3.9	3.4	3.3	3.5	3.4	3.4
		Female	4.9	5.0	4.9	4.5	3.9	3.6	3.4	3.5	3.5	3.5
		Male	4.9	4.9	4.8	4.3	3.9	3.3	3.2	3.5	3.3	3.4
Nicaragua	Nationwide total	Total	5.9	5.8	6.6	5.9	4.5	3.7	5.4	5.4	6.0	4.8
		Female	6.6	6.0	7.0	6.3	4.8	3.8	5.5	5.5	6.2	4.2
		Male	5.4	5.6	6.2	5.6	4.2	3.5	5.4	5.4	5.8	5.3
Panama[g]	Nationwide total	Total	3.1	3.2	3.5	3.9	4.4	4.9	4.9	5.8	…	…
		Female	3.9	4.1	4.6	5.0	5.4	6.4	6.4	7.3	…	…
		Male	2.5	2.5	2.7	3.1	3.7	3.8	3.9	4.8	…	…

Table A.23 (concluded)

			2012	2013	2014	2015	2016	2017	2018	2019[b]	2019[b]	2020[b]
											First quarter	
Paraguay[i]	Nationwide total	Total	4.6	5.0	6.0	5.4	6.0	6.1	6.2	6.6	6.9	7.9
		Female	5.8	5.7	8.1	6.1	7.5	7.6	7.4	8.0	8.9	10.1
		Male	3.7	4.5	4.6	4.9	5.0	5.1	5.4	5.5	5.5	6.3
Peru	Nationwide total	Total	3.7	3.9	3.7	3.5	4.2	4.1	3.9	3.9	5.2	5.1
		Female	4.4	4.7	4.0	3.6	4.6	4.4	4.4	4.5	6.2	5.8
		Male	3.2	3.4	3.4	3.4	3.9	3.8	3.5	3.5	4.4	4.5
Uruguay	Nationwide total	Total	6.5	6.5	6.6	7.5	7.8	7.9	8.3	8.9	8.8	9.5
		Female	8.3	8.2	8.3	8.9	9.4	9.5	10.1	10.7	10.6	11.2
		Male	4.9	5.0	5.1	6.4	6.5	6.6	6.9	7.3	7.2	8.0
Venezuela (Bolivarian Republic of)	Nationwide total	Total	8.1	7.8	7.2	7.0	7.3	7.2	6.9	…	…	…
		Female	9.0	8.8	8.0	7.7	7.8	8.4	8.1	…	…	…
		Male	7.4	7.1	6.7	6.6	7.1	6.3	5.9	…	…	…
The Caribbean												
Bahamas[j]	Nationwide total	Total	14.4	15.8	14.6	13.4	12.2	10.0	10.3	10.1	…	…
		Female	13.7	16.1	15.4	15.0	14.2	11.0	10.6	10.3	…	…
		Male	15.1	15.6	13.8	11.9	10.3	8.6	10.1	10.0	…	…
Barbados[j]	Nationwide total	Total	11.6	11.6	12.3	11.3	9.7	10.0	10.1	10.1	…	…
		Female	12.2	11.6	12.8	10.3	10.1	10.1	10.3	8.5	…	…
		Male	11.0	11.7	11.7	12.3	9.3	9.8	9.9	11.6	…	…
Belize[j]	Nationwide total	Total	15.3	13.2	11.6	10.1	9.5	9.3	9.4	9.1	…	…
		Female	22.3	20.8	19.9	15.4	15.6	14.6	14.9	13.4	…	…
		Male	10.5	7.8	6.3	6.8	5.6	5.9	5.6	5.9	…	…
Jamaica[g]	Nationwide total	Total	9.3	10.3	9.5	9.8	9.0	7.7	5.6	5.0	5.2	5.2
		Female	12.3	13.6	12.4	12.5	12.0	10.2	7.2	6.5	6.3	5.9
		Male	7.0	7.8	7.2	7.2	6.6	5.6	4.2	3.8	4.1	4.4
Trinidad and Tobago[j]	Nationwide total	Total	5.0	3.7	3.3	3.5	4.0	4.8	4.1	…	…	…
		Female	…	4.6	4.0	4.2	4.0	5.6	4.5	…	…	…
		Male	…	3.0	2.8	2.9	3.9	4.2	3.3	…	…	…

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. Includes a data adjustment for the exclusion of hidden unemployment in Colombia, Ecuador, Jamaica and Panama.

[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] New measurements have been used since 2016; the data are not comparable with the previous series.

[g] Open unemployment rate includes an adjustment for workforce figures due to exclusion of hidden unemployment.

[h] New measurements have been used since 2015; the data are not comparable with the previous series.

[i] New measurements have been used since 2017; the data are not comparable with the previous series.

[j] Includes hidden unemployment.

Table A.24
Latin America and the Caribbean: employment rate[a]
(Average annual rates)

		2012	2013	2014	2015	2016	2017	2018	2019[b]	2019	2020[b]
										First quarter	
Latin America and the Caribbean[c]		**58.2**	**58.3**	**58.3**	**57.9**	**57.3**	**57.4**	**57.6**	**57.2**	**56.9**	**56.2**
Argentina[d]	Urban areas	55.0	54.7	54.0	53.9[e]	52.6[f]	52.9	53.1	53.3	52.9	52.5
Bahamas	Nationwide total	62.1	61.6	62.8	64.3	67.7	72.5	74.2	72.2	…	…
Barbados	Nationwide total	58.5	58.9	56.0	57.7	60.0	58.8	58.3	57.0	…	…
Belize	Nationwide total	55.7	55.9	56.6	56.8	57.9	58.1	59.0	62.0	…	…
Bolivia (Plurinational State of)[g]	Nationwide total	59.7	61.5	64.3	58.9 l	63.8	64.9	68.4	70.3	69.3	70.6
Brazil[h]	Nationwide total	56.9	56.9	56.8	56.1	54.3	53.9	54.1	54.6	53.9	53.5
Chile	Nationwide total	55.7	56.0	56.0	56.0	55.6	55.7	55.5	58.3	58.2	57.3
Colombia	Nationwide total	57.9	58.0	58.4	59.0	58.5	58.4	57.8	56.6	56.0	53.8
Costa Rica[h]	Nationwide total	56.2	56.4	56.6	55.4	52.8	53.5	54.4	55.2	55.4	55.5
Cuba	Nationwide total	71.6	70.5	70.0	65.4	63.8	62.4	62.7	…	…	…
Dominican Republic[i]	Nationwide total	55.2	54.6	55.4 l	57.3	57.9	58.7	60.0	61.0	61.1	59.8
Ecuador[j]	Nationwide total	59.1	59.5	60.4	63.3	64.6	65.5	64.3	63.7	63.4	…
El Salvador	Nationwide total	59.4	59.9	58.4	57.8	57.9	57.6	57.4	…	…	…
Guatemala	Nationwide total	63.5	58.7	59.1	59.2	59.2	59.4	58.6[k]	57.8	…	…
Honduras	Nationwide total	48.9	51.6	53.1	54.0	53.2	55.1	57.0	54.1	…	…
Jamaica	Nationwide total	53.3	53.4	54.2	54.6	56.2	57.5	58.2	59.6	59.1	60.8 l
Mexico[m]	Nationwide total	56.3 l	57.3	56.9	57.2	57.4	57.3	57.6	58.0	57.5	57.8
Nicaragua	Nationwide total	72.3	71.5	69.1	68.1	70.2	70.8	67.8	67.2	67.4	67.6
Panama	Nationwide total	60.8	61.5	60.9	60.9	60.8	59.8	60.6	61.8	…	…
Paraguay[n]	Nationwide total	61.5	60.1	58.6	58.7	58.9 l	66.7	67.4	67.6	68.5	65.6
Peru	Nationwide total	70.8	70.3	69.6	68.9	69.2	69.5	69.5	69.5	69.2	66.6
Trinidad and Tobago	Nationwide total	58.8	59.1	59.9	58.5	57.4	56.3	56.5	…	…	…
Uruguay	Nationwide total	59.9	59.5	60.4	59.0	58.4	57.9	57.2	56.6	56.9	56.9
Venezuela (Bolivarian Republic of)	Nationwide total	59.0	59.0	58.7	59.3	60.4	59.2	59.3	…	…	…

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] New measurements have been used since 2016; the data are not comparable with the previous series.

[h] New measurements have been used since 2012; the data are not comparable with the previous series.

[i] New measurements have been used since 2015; 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 correspond to the measurement for June.

[l] The figures in the last two columns correspond to the measurement of January.

[m] New measurements have been used since 2013; the data are not comparable with the previous series.

[n] New measurements have been used since 2017; the data are not comparable with the previous series.

Table A.25

Latin America and the Caribbean: formal employment indicators

(Index 2010=100)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019 First quarter	2020[a] First quarter
Argentina[b]	105.0	107.0	109.6	110.9	114.0	114.3	115.3	115.6	114.4	114.6	113.3[c]
Brazil[d]	106.6	111.4	114.8	117.2	115.2	110.6	108.7	109.7	111.0	110.2	110.1[c]
Chile[e]	105.7	112.1	115.8	117.9	120.1	122.2	123.4	127.8	131.5	132.4	134.0[c]
Costa Rica[f]	103.1	106.7	109.0	110.7	112.6	116.3	119.7	122.1	122.4	122.3	123.9[g]
El Salvador[f]	103.3	105.5	111.0	113.5	115.1	117.3	118.3	120.3	123.0	…	…
Guatemala[f]	104.3	107.1	110.4	111.8	114.2	117.4	118.6	119.6	125.5	…	…
Jamaica[h]	99.4	99.0	100.4	…	…	…	…	…	…	…	…
Mexico[i]	104.3	109.2	113.0	117.0	122.0	126.7	132.2	137.6	140.7	139.6	141.5[c]
Nicaragua[f]	108.1	116.6	125.9	132.8	144.6	160.3	170.9	153.0	…	…	…
Panama[j]	110.3	117.8	122.5	126.1	127.2	125.4	126.8	123.3	123.2	…	…
Peru[k]	105.4	109.6	112.7	114.8	115.8	118.3	120.7	125.4	128.8	126.3	128.0[c]
Uruguay[l]	104.9	108.9	110.9	111.7	110.1	108.9	109.4	108.9	108.9	110.5	109.4[m]

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 average for January-April.

[d] Workers covered by social and labour legislation.

[e] Dependent workers who contribute to the pension system.

[f] Workers with social security coverage.

[g] The figures in the last two columns correspond to the average for January-May.

[h] Workers at firms with 10 or more employees.

[i] Private workers covered by social and labour legislation.

[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] Jobs reported to the National Superintendency of Customs and Tax Administration. Until 2015, workers of companies with 10 or more employees.

[l] Employment positions generating social security contributions.

[m] The figures in the last two columns correspond to the first quarter.

Table A.26

Latin America: visible underemployment by hours

(Percentages of employed workers)

		2012	2013	2014	2015	2016	2017	2018	2019	2019 First quarter	2020[a] First quarter
Argentina[b][c]	Urban areas	9.3	9.2	9.6	9.0[d]	11.5[e]	11.4	12.3	14.1	13.1	13.1
Brazil[f]	Nationwide total	6.8	5.5	4.9	5.4	5.3	6.6	7.2	7.5	7.4	7.0
Chile[g]	Nationwide total	11.5	11.6	11.3	10.3	10.9 l	9.6	9.5	9.5	8.8	7.7
Colombia[h]	Nationwide total	12.1	11.8	10.1	10.3	9.9	9.5	8.9	9.6	10.1	9.3
Costa Rica[i]	Nationwide total	11.3	12.5	12.8	12.4	9.0	8.1	8.7	10.2	8.6	12.4
Ecuador[f]	Nationwide total	7.9	9.9	10.6	11.7	15.7	17.0	15.4	16.6	16.4	…
El Salvador[f]	Nationwide total	5.8	5.8	6.7	6.8	7.7	7.6	6.3	…	…	…
Honduras[j]	Nationwide total	10.5	11.7	12.5	14.1	11.5	11.8	14.2	10.6	…	…
Mexico[i]	Nationwide total	8.5	8.3	8.1	8.3	7.6	7.1	6.9	7.5	6.8	8.5
Panama[f]	Nationwide total	2.4	2.5	2.0	2.5	2.3	2.5	3.7	4.4	…	…
Paraguay[k]	Asunción and urban areas of the Departamento Central[l]	5.3	4.7	4.8	4.6	4.0 l	5.5	5.3	6.9	7.2	6.2
Peru[b]	Metropolitan Lima	12.0	11.6	11.3	10.4	11.3	11.5	13.6	13.2	13.0	14.6
Uruguay[f]	Nationwide total	7.1	6.8	6.6	7.1	8.3	8.4	8.5	9.7	9.5	9.7

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 40 hours per week and wish to work more hours.

[g] Employed persons who work less than 30 hours per week and wish to work more hours. Since 2017, employed persons who work two thirds of the established full-time work, and wish to work more hours and are available to do so.

[h] Employed persons who work less than 48 hours per week and wish to work more hours.

[i] Employed persons wishing to work more than their current job permits.

[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 2017, nationwide total.

Table A.27
Latin America: real average wages[a]
(Index 2010=100)

	2012	2013	2014	2015	2016	2017	2018	2019[b]	2019[b]	2020[b]
									First quarter	
Bolivia (Plurinational State of)[c]	99.3	100.3	101.8	107.7	109.5	111.5[d]	115.0	114.6	114.6	…
Brazil[e]	104.9 l	107.4	108.4	108.9	107.6	110.2	110.0	110.3	111.2	111.4
Chile[f]	105.8	109.9	111.9	113.9	115.4	119.0	121.3	123.8	123.6	124.6
Colombia[g]	101.3	104.0	104.5 l	105.7	103.4	106.6	107.7	108.6	106.7	105.6
Costa Rica[h]	107.1	108.5	110.7	115.2	118.2	119.6	121.7	123.2	124.8	120.1
El Salvador[h]	97.3	97.8	98.5	100.9	102.3	103.4	103.4	104.8	104.9	…
Guatemala[h]	104.4	104.3	106.8	110.4	108.2	107.2	107.9	…	…	…
Mexico[i]	101.2	101.3	101.7	103.2	104.1	102.9	103.7	106.7	106.6	110.0
Nicaragua[h]	100.5	100.7	102.4	105.1	107.5	109.1	114.1	…	…	…
Panama[j]	103.5	103.8	109.5	113.1	117.5	120.4	126.1	130.1	130.1	…
Paraguay[k]	103.5	105.7	107.0	107.5	108.2	108.5	110.4	111.5	111.5	…
Peru[l]	111.0	114.7	117.9	117.5 l	122.2	121.8	125.8	126.8	126.3	126.6
Uruguay[m]	108.4	111.7	115.4	117.3	119.1	122.6	122.8	124.4	125.8	125.2
Venezuela (Bolivarian Republic of)[n]	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] General index of hourly remuneration.
[g] Manufacturing. New series from 2015.
[h] Average wage declared by workers registered with and paying into social security.
[i] Average wage declared by private workers covered by social security.
[j] 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.
[k] Wage and salary index.
[l] Average income in the formal sector. Until 2015, wages of employed workers in Lima metropolitan area.
[m] Average salary index.
[n] Remuneration index.

Table A.28
Latin America and the Caribbean: monetary indicators
(Average percentage variation with respect to the year-earlier period)

		2015	2016	2017	2018	2019				2020	
						Q1	Q2	Q3	Q4	Q1	Q2
Latin America and the Caribbean											
Argentina	Monetary base	33.2	27.9	31.0	33.7	30.1	29.0	12.8	22.0	37.2	62.1
	Money (M1)	31.6	20.2	29.4	23.6	9.4	6.4	18.4	32.1	58.0	88.3[a]
	M2	33.2	23.9	28.0	37.8	30.3	27.6	24.6	20.5	40.5	65.3[a]
	Foreign-currency deposits	38.5	172.5	96.1	81.6	117.9	101.6	40.8	6.7	-3.4	-15.6[a]
Bolivia (Plurinational State of)	Monetary base	19.2	3.9	0.1	8.7	6.1	11.9	9.1	7.1	8.7	12.7[a]
	Money (M1)	9.4	9.6	2.0	6.4	3.5	0.4	1.5	-2.6	-5.4	8.3[a]
	M2	18.4	12.5	7.7	10.8	6.0	4.6	3.6	0.1	-0.5	5.9[a]
	Foreign-currency deposits	3.7	-1.0	-2.7	-4.2	-1.0	-0.5	2.7	7.4	11.1	14.3[a]
Brazil	Monetary base	3.0	3.2	6.2	6.3	5.4	3.8	0.3	4.3	8.5	26.4[a]
	Money (M1)	-1.1	0.2	4.4	8.3	7.0	4.4	3.9	7.5	11.0	31.5
	M2	-0.9	3.7	12.2	12.5	12.1	9.5	8.0	8.3	12.3	31.6
Chile	Monetary base	9.6	11.4	7.1	6.0	13.7	8.9	1.3	18.6	7.8	24.2
	Money (M1)	14.3	6.4	8.7	11.8	8.9	9.3	12.7	19.0	21.8	34.8
	M2	11.3	9.8	4.9	9.8	6.7	6.8	7.7	10.1	11.1	9.9
	Foreign-currency deposits	18.7	8.0	-2.8	3.5	8.8	10.3	16.9	28.2	49.7	55.3
Colombia	Monetary base	15.0	8.8	1.3	7.3	6.9	13.1	11.4	15.2	15.7	20.9
	Money (M1)	10.4	3.9	1.1	6.7	8.2	11.3	12.6	12.3	16.3	30.0
	M2	10.2	10.5	5.7	5.6	5.5	7.4	8.2	8.9	11.1	18.6
Costa Rica	Monetary base	11.1	10.1	7.5	4.1	2.6	0.8	-3.5	-4.8	-2.4	1.0[a]
	Money (M1)	9.6	17.8	1.7	4.4	6.5	3.1	7.1	7.9	17.1	31.4[b]
	Foreign-currency deposits	0.8	1.4	11.6	2.4	9.8	6.5	4.9	-3.6	2.2	6.8[b]
Dominican Republic	Monetary base	22.1	9.1	1.7	-1.4	7.6	13.6	11.2	8.3	8.3	9.4
	Money (M1)	12.9	13.9	6.2	13.6	5.3	7.9	12.1	17.1	17.8	26.4
	M2	10.7	12.2	7.5	8.1	5.3	6.1	7.4	8.7	9.1	12.3
	Foreign-currency deposits	11.9	8.9	9.9	12.8	12.7	11.2	13.5	16.0	19.9	31.0
Ecuador	Monetary base	16.9	22.8	12.9	4.6	2.1	3.2	3.4	3.7	7.3	13.9[a]
	Money (M1)	10.6	10.4	13.1	5.6	2.9	3.3	3.6	3.7	4.9	8.6[a]
	M2	6.7	6.6	13.5	8.3	5.6	5.8	6.9	7.8	8.9	9.1[a]
El Salvador	Monetary base	1.2	3.5	9.3	5.5	7.1	7.8	9.3	17.8	11.5	-17.2[a]
	Money (M1)	4.9	3.9	6.5	5.8	6.1	3.8	6.2	12.8	7.6	10.7
	M2	2.9	5.6	7.1	7.3	5.5	5.3	7.4	11.1	10.8	12.0
Guatemala	Monetary base	12.1	9.7	11.3	8.8	8.3	11.7	11.2	12.1	15.2	19.7
	Money (M1)	11.9	6.1	7.7	8.1	8.8	11.6	12.6	13.2	13.9	17.0
	M2	11.5	7.9	8.4	8.8	8.9	10.2	11.0	11.7	12.0	12.6
	Foreign-currency deposits	6.0	4.2	-1.9	6.8	11.1	4.6	3.3	1.5	3.4	14.3
Haiti	Monetary base	15.4	26.2	15.6	14.7	20.8	18.4	18.4	19.1	17.5[c]	...
	Money (M1)	12.7	6.0	16.6	22.3	16.4	11.7	7.4	10.2	14.4[c]	...
	M2	12.5	8.5	13.5	18.1	16.0	12.5	9.0	11.0	15.0[c]	...
	Foreign-currency deposits	18.5	27.7	18.2	5.4	20.6	34.2	33.5	24.4	15.2[c]	...
Honduras	Monetary base	16.6	14.9	18.8	8.2	2.2	8.7	11.6	17.7	17.8	37.0[a]
	Money (M1)	18.9	10.2	18.3	7.4	2.8	7.3	10.6	13.8	12.8	22.3[a]
	M2	12.7	10.9	18.2	9.3	7.2	8.8	11.0	13.9	14.5	16.5[a]
	Foreign-currency deposits	11.3	8.3	16.3	4.9	7.4	4.6	1.6	3.1	2.7	5.6[a]
Mexico	Monetary base	20.1	15.9	10.9	10.2	5.8	4.0	2.8	3.3	8.3	16.5
	Money (M1)	16.1	11.9	10.0	9.8	6.7	4.5	4.7	4.9	9.5	19.1
	M2	11.7	10.6	9.5	11.2	8.5	5.5	4.9	4.0	8.5	15.9
	Foreign-currency deposits	39.7	30.2	29.6	5.0	-7.9	-5.9	-5.5	-9.4	-5.9	7.8

Table A.28 (continued)

		2015	2016	2017	2018	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2
Nicaragua	Monetary base	17.4	11.3	7.4	3.7	-10.0	-4.1	-5.3	10.4	17.3	5.4[a]
	Money (M1)	21.0	9.5	8.8	0.1	-13.3	-12.0	-1.5	11.0	23.1	22.7[b]
	M2	21.0	9.5	8.8	0.1	-13.3	-12.0	-1.5	11.0	23.1	22.7[b]
	Foreign-currency deposits	16.5	14.0	11.6	-5.5	-21.9	-19.7	-10.1	0.4	5.2	8.2[b]
Panama	Monetary base	28.5	7.9	3.2	5.2	10.9	8.6	7.6	5.9	10.1	12.6[a]
	Money (M1)	-0.4	0.2	0.5	1.1	-0.7	-3.6	-2.1	-6.3	-1.9	1.6[a]
	M2	4.8	6.1	5.4	3.0	2.1	2.1	2.6	2.8	3.3	4.1[a]
Paraguay	Monetary base	11.3	2.7	11.1	13.3	6.5	3.1	0.9	3.4	4.6	17.4[a]
	Money (M1)	11.6	3.1	14.2	10.1	5.2	0.8	4.3	6.9	6.5	22.3
	M2	11.2	3.9	13.2	10.8	7.5	5.2	6.5	7.6	6.0	16.7
	Foreign-currency deposits	22.3	13.9	1.8	4.0	7.5	6.9	10.5	14.2	12.5	13.8
Peru	Monetary base	-0.9	3.3	5.5	8.1	5.6	6.2	5.6	5.5	9.0	26.8
	Money (M1)	6.6	5.1	7.9	13.5	9.7	10.5	11.4	8.7	12.3	33.9
	M2	5.2	7.8	11.0	13.2	10.4	10.8	11.0	10.6	13.4	25.9
	Foreign-currency deposits	20.8	9.6	-4.7	6.4	1.8	4.8	8.9	7.1	8.9	9.3
Uruguay	Monetary base	11.5	10.9	13.2	0.9	4.3	8.4	6.0	5.3	22.9	7.3
	Money (M1)	7.1	2.2	13.1	5.5	8.3	7.7	6.9	5.4	8.2	7.9
	M2	9.4	11.1	15.4	10.7	10.1	10.6	8.7	6.6	8.0	10.0
	Foreign-currency deposits	26.6	17.2	-6.9	6.7	14.0	16.6	16.7	21.4	30.5	33.5
Venezuela (Bolivarian Republic of)	Monetary base	95.2	144.2	873.1	30 129.5	99 509.2	73 548.5	23 934.2	9 589.2	2 124.1	1 514.6[a]
	Money (M1)	85.1	116.6	551.7	37 111.7	102 128.2	49 688.8	15 493.7	6 450.6	1 965.8	1 581.7[a]
	M2	84.9	116.4	544.9	36 973.8	102 119.9	49 796.8	15 498.2	6 445.0	1 962.4	1 575.9[a]
The Caribbean											
Antigua and Barbuda	Monetary base	19.6	12.5	-17.1	5.3	3.6	-7.4	-16.5	-9.8	...	...
	Money (M1)	4.4	12.0	12.6	8.8	10.2	13.9	11.7	11.5	...	...
	M2	2.5	0.1	5.1	4.8	3.9	2.8	1.2	1.1	...	...
	Foreign-currency deposits	17.0	17.3	18.3	32.9	12.5	7.7	10.3	6.0	...	...
Bahamas	Monetary base	-1.8	24.7	9.9	7.6	-14.3	-11.1	3.4	24.8	36.8	...
	Money (M1)	18.7	9.0	13.6	6.3	2.1	6.7	9.2	15.8	23.2	...
	M2	1.5	2.7	4.9	1.2	-0.7	1.6	3.0	6.8	10.4	...
	Foreign-currency deposits	-19.9	1.2	32.2	29.7	49.4	12.0	-12.7	33.1	53.9	...
Barbados	Monetary base	29.2	23.4	11.7	1.0	12.7	13.6	10.7	13.5	10.8	12.3
	Money (M1)	8.8	6.1	4.1	0.6	0.8	3.2	3.4	3.6	4.8	5.8[a]
Belize	Monetary base	24.6	12.6	-11.9	-9.7	-3.2	-1.8	1.7	6.0	5.4	6.5[a]
	Money (M1)	14.6	10.3	-4.9	6.5	2.9	6.3	3.7	3.4	5.9	3.1[a]
Dominica	Monetary base	22.9	40.7	25.4	-1.0	-32.1	-27.9	-18.5	0.1	...	...
	Money (M1)	7.8	18.1	13.2	42.9	-14.1	-15.2	-14.1	-13.8	...	...
	M2	4.3	6.0	7.5	17.4	-6.6	-8.7	-7.4	-6.1	...	...
	Foreign-currency deposits	1.3	3.2	-20.6	-7.7	5.1	38.1	34.1	43.8	...	...
Grenada	Monetary base	10.2	5.6	1.7	2.1	11.0	7.8	-2.5	3.1	...	...
	Money (M1)	20.6	11.1	3.0	11.0	9.1	9.0	10.2	10.9	...	...
	M2	3.7	1.7	0.9	4.2	3.8	3.7	3.3	4.3	...	...
	Foreign-currency deposits	17.4	35.9	10.2	0.5	22.4	29.4	16.9	1.5	...	...
Guyana	Monetary base	14.3	13.5	6.2	10.5	11.2	6.1	11.3	14.5	15.8	24.0
	Money (M1)	7.9	7.1	9.0	8.9	11.9	13.6	19.6	39.7	44.0	49.0
Jamaica	Monetary base	-4.2	9.0	15.2	13.3	16.1	22.5	18.8	15.4	13.1	9.9[b]
	Money (M1)	15.7	21.8	11.2	20.0	15.9	18.0	...	...	...	...[a]
	M2	9.9	15.2	24.1	18.4	13.2	16.2	...	...	...	...[a]
	Foreign-currency deposits	13.6	19.4	21.0	10.5	12.2	11.7	...	...	...	...[a]

Table A.28 (concluded)

		2015	2016	2017	2018	2019				2020	
						Q1	Q2	Q3	Q4	Q1	Q2
Saint Kitts and Nevis	Monetary base	-13.3	15.8	2.3	3.5	10.4	-8.0	-13.5	-16.3	...	...
	Money (M1)	10.8	-0.7	-7.9	-1.4	19.3	7.4	8.3	8.0	...	...
	M2	5.9	0.2	-4.2	1.3	5.3	2.7	2.7	1.4	...	...
	Foreign-currency deposits	16.3	-6.3	-5.9	-12.9	-9.7	-7.8	0.4	2.0	...	...
Saint Lucia	Monetary base	28.5	3.3	-4.9	5.9	-8.9	-8.3	-11.9	0.1	...	...
	Money (M1)	3.0	6.5	8.3	9.0	7.0	12.8	3.6	5.5	...	...
	M2	1.6	3.1	1.3	2.0	3.1	5.2	2.0	4.0	...	...
	Foreign-currency deposits	20.1	11.1	5.5	-10.5	5.9	3.0	-6.3	-0.9	...	...
Saint Vincent and the Grenadines	Monetary base	15.6	8.9	2.4	-2.2	5.8	15.1	5.0	10.6	...	...
	Money (M1)	8.6	10.0	4.6	0.2	7.7	9.5	13.8	13.3	...	...
	M2	5.6	4.6	3.6	0.4	3.6	5.6	7.1	7.8	...	...
	Foreign-currency deposits	17.6	6.4	-7.4	-7.9	6.6	44.5	61.7	80.1	...	...
Suriname	Monetary base	-6.2	30.3	23.9	24.4	38.1	66.3	77.8	91.2	80.3	60.1[a]
	Money (M1)	-4.5	15.0	14.1	14.8	29.5	33.3	26.0	20.5	26.4	29.9[a]
	M2	-2.4	12.4	11.7	15.1	26.8	28.4	24.0	19.8	21.5	23.8[a]
	Foreign-currency deposits	9.9	85.5	20.3	5.8	-0.1	-3.2	-3.4	-5.1	-9.7	-11.4[a]
Trinidad and Tobago	Monetary base	-7.9	-7.3	-8.4	-2.6	-7.2	-1.1	-0.2	8.5	-1.9	...
	Money (M1)	0.0	1.2	-1.9	0.1	-0.3	1.9	-0.6	-2.3	2.6	...
	M2	3.8	2.8	-1.4	0.1	1.8	2.5	2.1	1.4	3.7	...
	Foreign-currency deposits	1.6	7.3	0.4	-1.3	0.8	5.2	7.1	2.6	2.9	...

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.
[c] Figures as of February.

Table A.29
Latin America and the Caribbean: domestic credit
(Percentage variation with respect to the year-earlier period)

| | 2015 | 2016 | 2017 | 2018 | 2019 | | | | 2020 | |
					Q1	Q2	Q3	Q4	Q1	Q2[a]
Latin America										
Argentina	35.2	25.0	35.0	41.4	47.4	37.0	24.8	18.1	36.1	57.3[a]
Bolivia (Plurinational State of)	16.7	18.5	16.9	13.7	11.9	11.0	10.1	8.4	8.7	...
Brazil	9.0	9.5	7.9	2.7	5.7	9.5	12.3	11.3	12.2	15.8[a]
Chile	20.0	8.8	5.5	10.2	8.0	8.2	7.3	6.8	9.5	6.2[a]
Colombia	16.6	8.4	9.8	9.3	9.5	10.0	9.0	11.6	11.5	...
Costa Rica	13.1	13.5	11.0	5.8	5.3	4.0	2.7	-1.7	0.7	1.8[b]
Dominican Republic	15.0	14.5	8.6	9.4	11.7	11.5	10.7	11.3	4.9	10.5
Ecuador	10.1	5.6	12.0	10.4	15.6	9.3	8.9	10.0	12.4	10.3[a]
El Salvador	7.3	8.1	4.5	7.7	7.6	7.8	6.8	7.2	8.6	9.6[a]
Guatemala	12.0	6.0	2.2	3.2	4.4	2.6	2.2	2.5	3.6	3.3
Haiti	18.2	10.2	12.2	23.0	22.4	29.7	25.3	22.5	24.0[c]	...
Honduras	7.7	7.4	19.1	13.3	12.1	11.5	10.2	9.3	7.2	9.9[a]
Mexico	12.6	14.1	8.0	10.1	5.6	8.6	12.2	11.2	12.3	10.0[b]
Nicaragua	11.8	14.2	15.7	0.3	-12.6	-19.4	-22.6	-19.2	-15.4	-13.9[b]
Panama	5.8	10.4	10.3	8.9	4.3	4.0	-2.6	-2.4	-0.9	...
Paraguay	26.0	5.9	-1.1	12.2	15.1	18.3	16.6	14.1	9.7	3.6[a]
Peru	21.2	12.8	11.3	37.7	13.6	3.0	3.1	4.3	12.1	25.9
Uruguay	12.9	33.4	4.1	-3.7	7.2	36.1	26.3	17.9	26.3	12.9[a]
Venezuela (Bolivarian Republic of)[d]	74.5	100.1	302.9	231 191.5	550 201.0	216 363.2	28 954.5	9 164.6	1 884.8	2 822.6[a]
The Caribbean										
Antigua and Barbuda	-5.9	-10.5	5.1	-1.7	4.9	6.4	4.2	3.5	...	...
Bahamas	0.7	0.7	1.9	-3.5	0.6	0.8	0.3	0.5	0.4	...
Barbados	2.7	5.8	4.7	-1.6	-17.6	-17.2	-16.0	-1.0	-0.5	-0.7[a]
Belize	8.9	18.5	2.5	6.2	4.9	7.4	6.6	6.6	6.3	5.2[a]
Dominica	-1.8	-24.3	-24.6	24.4	63.1	39.2	33.2	29.9	...	...
Grenada	-10.2	-11.2	-6.7	-5.5	-11.3	-11.2	-5.6	-4.3	...	...
Guyana	11.3	11.3	9.3	19.0	14.3	13.2	15.9	17.2	20.2	18.5
Jamaica	-2.2	4.7	5.6	11.7	31.3	30.3[a]	...	...	...	...
Saint Kitts and Nevis	-79.9	-78.8	105.8	-0.1	-10.4	-26.9[a]	107.7	244.0	...	30.3
Saint Lucia	-12.2	-6.1	-8.0	-6.5	-3.3	-0.4	-1.1	0.6	...	...
Saint Vincent and the Grenadines	5.4	0.3	0.1	3.0	1.5	-1.3	-7.2	-6.0	...	...
Suriname	23.5	33.8	13.3	-3.0	2.4	23.5	25.4	14.7	7.8	24.1[a]
Trinidad and Tobago	3.2	36.6	13.5	12.7	5.7	21.0	16.8	22.5	20.8	...

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.
[c] Figures as of February.
[d] Credit granted by the commercial and universal banks.

Table A.30
Latin America and the Caribbean: monetary policy rates
(Average rates)

| | 2015 | 2016 | 2017 | 2018 | 2019 | | | | 2020 | |
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina	27.0	28.8	26.4	44.4	55.4	69.0	71.5	65.0	45.3	38.0
Bolivia (Plurinational State of)	2.7	2.5	2.4	2.4	2.5	2.5	2.5	2.8	2.8	2.8
Brazil	13.6	14.2	9.8	6.6	6.5	6.5	6.0	4.8	4.2	3.0
Chile	3.1	3.5	2.7	2.6	2.9	2.8	2.3	1.8	1.5	0.5
Colombia	4.7	7.1	6.0	4.3	4.3	4.3	4.3	4.3	4.1	3.3
Costa Rica	3.5	1.8	3.5	5.0	5.2	4.8	3.9	3.1	1.9	1.1
Dominican Republic	5.4	5.1	5.4	5.4	5.5	5.3	4.6	4.5	4.2	3.5
Guatemala	3.3	3.0	3.0	2.8	2.8	2.8	2.8	2.8	2.6	2.0
Haiti	12.3	14.7	12.0	12.0	12.0	15.3	22.0	17.3	13.3	10.0
Honduras	6.5	5.7	5.5	5.5	5.8	5.8	5.8	5.7	5.1	4.5
Mexico	3.0	4.2	6.8	7.7	8.3	8.3	8.0	7.5	6.9	5.5
Paraguay	6.1	5.7	5.4	5.3	5.0	4.8	4.3	4.0	3.8	1.4
Peru	3.4	4.2	3.8	2.8	2.8	2.8	2.6	2.3	1.9	0.3
Venezuela (Bolivarian Republic of)	6.2	6.5	6.4	6.2	13.7	17.6	18.0	17.5[a]	...	...
The Caribbean										
Antigua and Barbuda	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0
Bahamas	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Barbados	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	...
Belize	11.0	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	2.0
Grenada	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0
Guyana	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Jamaica	5.5	5.1	4.2	2.3	1.5	0.9	0.6	0.5	0.5	0.5
Saint Kitts and Nevis	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0
Saint Lucia	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0
Saint Vincent and the Grenadines	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0
Trinidad and Tobago	4.1	4.8	4.8	4.9	5.0	5.0	5.0	5.0	4.5	3.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures as of October.

Table A.31
Latin America and the Caribbean: representative lending rates
(Average rates)

	2015	2016	2017	2018	2019				2020	
					Q1	Q2	Q3	Q4	Q1	Q2[a]
Latin America										
Argentina[b]	28.2	33.3	26.8	47.7	59.4	70.3	72.8	65.2	46.8	32.5[c]
Bolivia (Plurinational State of)[d]	6.4	6.2	6.0	6.4	6.7	5.5	6.7	6.5	6.6	6.4[c]
Brazil[e]	49.5	53.7	49.9	45.2	44.9	45.0	43.0	37.9	38.9	34.7[c]
Chile[f]	9.3	10.4	11.5	10.6	10.1	8.9	7.8	7.1	9.1	7.4
Colombia[g]	12.1	14.7	13.7	12.1	12.2	11.9	11.8	11.2	11.1	9.3[c]
Costa Rica[h]	15.9	14.7	14.5	15.6	13.7	13.7	13.3	12.1	13.3	10.8
Dominican Republic[h]	14.9	15.1	13.9	12.5	12.9	12.5	12.3	12.2	12.8	10.5
Ecuador[i]	8.3	8.7	7.9	7.7	8.5	8.4	8.6	8.8	8.8	8.7
El Salvador[j]	6.2	6.4	6.5	6.5	6.5	6.6	6.7	6.6	6.5	7.0[c]
Guatemala[h]	13.2	13.1	13.1	12.9	12.8	12.7	12.8	12.7	12.7	12.6
Haiti[k]	18.8	19.7	18.0	17.7	17.1	16.4	21.5	20.0	17.9	13.8[c]
Honduras[h]	20.7	19.3	19.3	17.8	17.4	17.3	17.3	17.3	17.4	...
Mexico[l]	28.4	26.8	27.0	28.3	29.7	30.1	30.5	30.9	31.1	...
Nicaragua[m]	12.0	11.4	10.9	10.9	12.5	13.3	12.0	12.0	11.5	...
Panama[n]	6.5	6.6	6.8	6.9	7.1	7.1	7.1	7.1	7.1	7.1[c]
Paraguay[o]	14.4	15.6	14.3	12.9	12.4	13.5	12.5	12.6	12.2	11.7[c]
Peru[p]	16.1	16.5	16.8	14.5	14.4	14.5	14.5	14.2	14.2	13.1
Uruguay[q]	17.0	17.6	15.4	14.2	13.7	13.4	12.6	13.6	13.4	14.4[c]
Venezuela (Bolivarian Republic of)[r]	19.9	21.4	21.5	21.9	29.6	31.1	31.1	25.6	23.1	...
The Caribbean										
Antigua and Barbuda[s]	8.7	9.2	9.0	8.8	8.8	8.7	8.6	8.5	...	...
Bahamas[t]	12.3	12.5	11.8	11.4	10.3	10.9	12.2	11.6	10.4	8.6[c]
Barbados[s]	6.9	6.7	6.6	6.7	6.6	6.5	6.4	6.4	6.3	...
Belize[u]	10.3	9.8	9.5	9.1	9.1	9.2	9.1	9.0	9.0	...
Dominica[s]	8.6	8.2	8.0	7.7	7.5	7.5	7.5	7.5	...	...
Grenada[s]	8.8	8.4	8.2	7.7	7.4	7.4	7.3	7.2	...	...
Guyana[v]	10.8	10.7	10.6	10.4	9.2	8.9	8.7	8.6	8.6	8.6[c]
Jamaica[u]	17.0	16.5	14.9	14.1	13.3	13.2	12.9	12.5	12.3	...
Saint Kitts and Nevis[s]	8.5	8.5	8.5	8.2	8.0	8.0	8.0	7.9	...	...
Saint Lucia[s]	8.5	8.2	8.1	8.0	7.8	7.6	7.6	7.6	...	...
Saint Vincent and the Grenadines[s]	9.3	9.1	8.7	8.4	8.4	8.4	8.3	8.3	...	...
Suriname[w]	12.6	13.5	14.4	14.3	14.8	14.8	15.1	15.1	15.2	...
Trinidad and Tobago[v]	8.3	9.1	9.1	9.1	9.3	9.3	9.3	9.3	8.8	7.6

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] Weighted average of short-term lending rates in local currency.

[n] Interest rate on one-year trade credit.

[o] Commercial lending rate, local currency.

[p] Market lending rate, average for transactions conducted in the last 30 business days.

[q] Business credit, 30-367 days.

[r] Average rate for loan operations for the six major commercial banks.

[s] Weighted average of lending rates.

[t] Weighted average of lending and overdraft rates.

[u] Rate for personal and business loans, residential and other construction loans; weighted average.

[v] Average of lending rates.

Table A.32
Latin America and the Caribbean: consumer prices
(12-month percentage variation)

	2015	2016	2017	2018	2019				2020	
					March	**June**	**September**	**December**	**March**	**June**
Latin America and the Caribbean[a]	**5.7**	**4.2**	**3.6**	**3.2**	**3.3**	**3.0**	**2.5**	**3.1**	**2.8**	**2.1**
Latin America										
Argentina	27.5	38.5	25.0	47.1	54.1	54.8	52.4	52.9	46.9	41.3
Bolivia (Plurinational State of)	3.0	4.0	2.7	1.5	1.1	1.7	2.3	1.5	1.4	1.4
Brazil	10.7	6.3	2.9	3.7	4.6	3.4	2.9	4.3	3.3	2.1
Chile	4.4	2.7	2.3	2.6	2.5	2.7	2.2	3.0	3.7	2.6
Colombia	6.8	5.7	4.2	3.1	3.2	3.4	3.8	3.8	3.8	2.2
Costa Rica	-0.8	0.8	2.6	2.0	1.4	2.4	2.5	1.5	1.9	0.3
Cuba[b]	2.4	-3.0	0.6	2.4	2.8	4.7	-0.5	-1.3	0.1	-0.3[c]
Dominican Republic	2.3	1.7	4.2	1.2	1.5	0.9	2.0	3.7	2.4	2.9
Ecuador	3.4	1.1	-0.2	0.3	-0.1	0.6	-0.1	-0.1	0.2	0.2
El Salvador	1.0	-0.9	2.0	0.4	0.7	0.5	-0.7	0.0	-0.5	-0.9[c]
Guatemala	3.1	4.2	5.7	2.3	4.2	4.8	1.8	3.4	1.8	2.4
Haiti	12.5	14.3	13.3	16.5	17.7	19.3	19.5	20.8	22.0	23.4[c]
Honduras	2.4	3.3	4.7	4.2	4.1	4.8	4.4	4.1	3.9	2.7
Mexico	2.1	3.4	6.8	4.8	4.0	3.9	3.0	2.8	3.2	3.3
Nicaragua	2.9	3.1	5.8	3.3	4.7	5.5	5.7	6.5	4.6	3.8
Panama	0.3	1.5	0.5	0.2	-0.2	-0.5	-0.6	-0.1	-0.8	...
Paraguay	3.1	3.9	4.5	3.2	2.8	2.8	2.6	2.8	2.5	0.5
Peru	4.4	3.2	1.4	2.2	2.2	2.3	1.9	1.9	1.8	1.6
Uruguay	9.4	8.1	6.6	8.0	7.8	7.4	7.8	8.8	9.2	10.4
Venezuela (Bolivarian Republic of)	180.9	274.4	862.6	130 060.2	329 567.6	116 436.3	39 113.8	9 585.5	2 430.6	2 296.6[c]
The Caribbean										
Antigua and Barbuda	0.9	-1.1	2.4	1.7	0.9	1.8	0.8	0.7	1.2	...
Bahamas	2.0	0.8	1.8	2.0	4.0	2.9	1.8	1.3[d]	...	...
Barbados	-2.5	3.8	6.6	0.6	2.1	3.2	6.7	7.2	7.7[e]	...
Belize	-0.6	1.1	1.0	-0.1	0.7	0.1	-0.1	0.2	0.2	0.0
Dominica	-0.7	0.7	-1.5	4.0	3.2	2.1	1.2	0.1	-1.0	...
Grenada	1.1	0.9	0.5	1.4	1.1	0.3	0.4	0.1	-0.2	...
Guyana	-1.8	1.4	1.5	1.6	2.0	2.3	2.3	2.1	1.4	0.5
Jamaica	3.7	1.7	5.2	2.4	3.4	4.2	3.4	6.2	4.8	4.0[c]
Saint Kitts and Nevis	-2.4	0.0	0.8	-0.8	-0.2	-0.4	-0.6	-0.8	-1.1	...
Saint Lucia	-2.6	-2.8	2.0	1.6	1.7	0.6	-0.3	-0.7	-2.7	...
Saint Vincent and the Grenadines	-2.4	1.0	3.0	1.4	1.4	0.9	0.5	0.5	0.4	-0.5[c]
Suriname	25.2	49.2	9.3	5.4	4.1	4.3	4.0	4.2	17.8	26.2[c]
Trinidad and Tobago	1.5	3.1	1.3	1.0	1.5	1.1	1.1	0.4	0.5[f]	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Weighted average. Does not include data on economies with chronic inflation (Argentina, Haiti and Venezuela (Bolivarian Republic of)).
[b] Refers to national-currency markets.
[c] Figures as of May.
[d] Figures as of October.
[e] Figures as of January.
[f] Figures as of February.

Table A.33
Latin America and the Caribbean: fiscal balances
(Percentages of GDP)

	Primary balance				Overall balance			
	2016	2017	2018	2019	2016	2017	2018	2019
Latin America and the Caribbean[a]	-0.1	-0.3	0.3	0.1	-2.8	-3.1	-2.4	-2.6
Latin America[b]	-1.1	-0.9	-0.5	-0.6	-3.3	-3.2	-2.9	-3.2
Argentina	-2.1	-2.8	-1.9	0.4	-5.7	-5.8	-5.6	-3.9
Bolivia (Plurinational State of)[c]	-2.8	-4.4	-5.2	…	-3.4	-5.0	-6.0	…
Brazil	-2.5	-1.8	-1.7	-1.3	-7.6	-7.7	-7.3	-5.8
Chile	-2.0	-1.9	-0.8	-1.9	-2.7	-2.8	-1.6	-2.8
Colombia	-1.6	-1.1	-0.6	0.4	-4.0	-3.7	-3.1	-2.5
Costa Rica	-2.4	-3.0	-2.3	-2.8	-5.2	-6.1	-5.8	-7.0
Dominican Republic	-0.5	-0.8	0.3	0.4	-3.0	-3.4	-2.3	-2.3
Ecuador	-3.6	-3.5	-0.9	-1.9	-5.6	-5.9	-3.6	-5.0
El Salvador	1.9	3.0	2.3	1.8	-0.9	-0.1	-1.1	-1.6
Guatemala	0.4	0.1	-0.3	-0.6	-1.1	-1.4	-1.9	-2.3
Haiti[d e]	0.9	0.7	-2.4	…	0.6	0.4	-2.7	…
Honduras	-0.1	0.0	1.1	0.6	-2.7	-2.7	-2.1	-2.5
Mexico[f]	-0.1	1.4	0.6	1.1	-2.5	-1.1	-2.0	-1.7
Nicaragua	0.4	0.5	-0.9	-1.0	-0.6	-0.6	-2.0	-2.3
Panama	-2.1	-1.4	-1.4	-1.9	-3.8	-3.1	-3.2	-3.7
Paraguay	-0.5	-0.5	-0.6	-2.0	-1.1	-1.1	-1.3	-2.8
Peru[c]	-1.1	-1.7	-0.8	-0.1	-2.2	-2.9	-2.0	-1.4
Uruguay	-1.0	-0.3	0.7	-0.4	-3.7	-3.0	-2.1	-3.0
The Caribbean[g]	1.1	0.4	1.3	0.9	-2.2	-2.9	-1.7	-1.8
Antigua and Barbuda	2.3	0.1	0.1	-1.1	-0.4	-2.4	-2.3	-3.6
Bahamas[h]	-0.3	-3.3	-0.8	0.9	-2.6	-5.6	-3.4	-1.7
Barbados[i j]	2.3	3.2	3.5	6.1	-5.4	-4.5	-0.3	3.7
Belize[i]	-1.8	1.4	2.1	-1.3	-4.4	-1.3	-1.2	-4.6
Dominica	15.6	-3.4	-5.9	-15.4	13.9	-5.0	-7.9	-17.7
Grenada	4.7	5.7	6.9	6.1	1.8	3.0	4.9	4.2
Guyana	-3.4	-3.4	-2.3	-2.5	-4.4	-4.5	-3.3	-3.5
Jamaica[i]	7.6	7.5	7.5	7.0	-0.2	0.5	1.2	0.9
Saint Kitts and Nevis	6.3	3.4	4.6	2.9	4.7	1.9	3.2	1.6
Saint Lucia	2.7	1.9	1.1	0.3	-0.5	-1.2	-2.0	-2.7
Saint Vincent and the Grenadines	3.2	0.3	0.8	-0.6	1.1	-2.1	-1.6	-3.0
Suriname[e]	-7.8	-6.2	-7.8	-7.0	-11.2	-9.7	-11.7	-10.3
Trinidad and Tobago[d]	-2.8	-6.0	-0.6	0.6	-5.3	-8.9	-3.6	-2.4

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

[a] Simple averages of the 28 countries.

[b] Simple averages for 16 countries. Does not include Bolivia (Plurinational State of), Cuba, Haiti or Venezuela (Bolivarian Republic of).

[c] General government.

[d] Fiscal years, from 1 October to 30 September.

[e] Includes statistical discrepancy.

[f] Federal public sector.

[g] Simple averages for 12 countries. Does not include Dominica.

[h] Fiscal years, from 1 July to 30 June.

[i] Fiscal years, from 1 April to 31 March.

[j] Non-financial public sector.

Table A.34
Latin America and the Caribbean: composition of tax revenue
(Percentages of GDP)

	Total tax burden		Social security contributions		Direct taxes		Indirect taxes		Other taxes	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Latin America and the Caribbean[a]	**22.9**	**...**	**3.6**	**...**	**7.0**	**...**	**12.0**	**...**	**0.4**	**...**
Latin America[a]	**21.6**	**...**	**4.1**	**...**	**6.8**	**...**	**10.2**	**...**	**0.5**	**...**
Argentina	29.4	28.9	6.3	5.7	7.8	7.8	15.1	15.2	0.2	0.2
Bolivia (Plurinational State of)	25.0	24.7	6.0	6.2	4.8	5.0	13.1	12.5	1.0	1.1
Brazil	33.1	33.1	8.5	8.5	10.1	10.4	13.7	13.6	0.8	0.6
Chile	21.1	20.3	1.5	1.5	8.6	8.2	11.0	10.4	0.0	0.1
Colombia	18.9	19.1	1.8	1.9	8.3	8.4	8.1	8.1	0.7	0.7
Costa Rica	23.5	24.0	7.8	7.9	6.7	7.0	8.3	8.5	0.6	0.6
Cuba	42.5	...	5.2	...	12.4	...	22.0	...	3.0	...
Dominican Republic	13.2	13.5	0.1	0.1	4.6	4.9	8.5	8.5	0.1	0.0
Ecuador	20.1	19.4	5.2	5.3	4.9	4.3	10.1	9.8	0.0	0.0
El Salvador	21.0	20.7	2.7	2.7	7.5	7.3	10.5	10.5	0.3	0.3
Guatemala	13.2	13.8	2.2	2.2	4.2	4.1	6.8	7.6	0.0	0.0
Haiti[b]	13.3	...	0.7	...	3.3	...	7.3	...	2.0	...
Honduras	22.5	21.5	3.4	3.2	7.0	6.3	11.6	11.3	0.4	0.7
Mexico	16.1	16.4	2.2	2.3	7.8	7.7	5.9	6.2	0.3	0.3
Nicaragua	23.1	...	6.0	...	7.4	...	9.5	...	0.2	...
Panama	15.0	13.9	5.6	5.6	4.9	4.2	4.3	4.0	0.2	0.1
Paraguay	13.7	13.7	3.6	3.7	2.4	2.7	7.6	7.3	0.0	0.0
Peru	16.7	16.9	2.0	2.0	6.4	6.6	8.0	8.0	0.2	0.3
Uruguay	29.2	28.9	7.6	7.6	10.0	9.8	11.6	11.4	0.1	0.1
The Caribbean[a]	**24.8**	**...**	**2.8**	**...**	**7.3**	**...**	**14.6**	**...**	**0.1**	**...**
Antigua and Barbuda	19.2	18.1	3.6	3.7	2.3	2.3	12.4	11.1	0.9	0.9
Bahamas[c]	17.1	19.5	2.3	2.3	1.9	2.7	12.9	14.5	0.0	0.0
Barbados[d]	33.3	32.2	5.6	5.6	10.7	10.1	16.9	16.6	0.0	0.0
Belize[d]	30.2	31.0	2.3	2.4	9.6	9.8	18.3	18.7	0.0	0.0
Dominica	31.2	30.9	4.0	3.9	3.7	5.4	23.5	21.6	0.0	0.0
Grenada	25.4	24.9	2.5	2.6	5.8	5.8	17.1	16.5	0.0	0.0
Guyana	27.4	29.5	2.8	3.0	10.3	11.6	14.0	14.7	0.3	0.3
Jamaica[d]	27.9	28.5	1.1	1.1	9.4	9.5	17.3	17.7	0.1	0.1
Saint Kitts and Nevis	23.4	23.2	3.6	3.7	6.6	6.4	13.1	13.2	0.0	0.0
Saint Lucia	22.2	21.9	2.2	2.2	5.3	5.3	14.6	14.5	0.0	0.0
Saint Vincent and the Grenadines	26.2	26.0	2.9	2.9	8.5	7.5	14.9	15.5	0.0	0.0
Suriname	16.8	...	0.7	...	8.3	...	7.7	...	0.0	...
Trinidad and Tobago[b]	22.5	...	2.9	...	12.5	...	7.1	...	0.0	...

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

[a] Simple averages.
[b] Fiscal years, from 1 October to 30 September.
[c] Fiscal years, from 1 July to 30 June.
[d] Fiscal years, from 1 April to 31 March.

Table A.35
Latin America and the Caribbean: public income and expenditure
(Percentages of GDP)

	Total income		Total expenditure		Primary current expenditure		Interest payments on public debt		Capital expenditure	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Latin America and the Caribbean[a]	**22.1**	**22.2**	**24.5**	**24.8**	**18.2**	**18.4**	**2.7**	**2.6**	**3.7**	**3.7**
Latin America[b]	**18.2**	**18.5**	**21.1**	**21.7**	**15.4**	**15.9**	**2.5**	**2.6**	**3.3**	**3.2**
Argentina	17.1	18.2	22.7	22.1	17.7	16.5	3.7	4.3	1.3	1.3
Bolivia (Plurinational State of)[c]	28.0	…	34.0	…	23.6	…	…	…	…	…
Brazil	21.6	22.5	28.9	28.3	22.3	22.9	5.6	4.5	1.0	0.9
Chile	22.0	21.3	23.6	24.1	19.1	19.5	0.8	0.9	3.7	3.8
Colombia	15.1	16.2	18.2	18.6	14.2	14.0	2.5	2.9	1.5	1.7
Costa Rica	14.2	14.8	20.0	21.7	15.1	15.5	3.5	4.2	1.4	2.0
Dominican Republic	14.2	14.4	16.5	16.7	10.8	11.2	2.6	2.7	3.1	2.8
Ecuador	18.8	23.0	22.5	28.0	13.3	19.7	2.8	3.1	6.4	5.2
El Salvador	19.2	19.0	20.3	20.6	13.9	14.1	3.4	3.5	3.0	3.0
Guatemala	11.3	11.2	13.2	13.5	9.2	9.2	1.5	1.6	2.5	2.6
Haiti[d e]	13.2	…	13.9	…	11.8	…	0.3	…	1.9	…
Honduras	20.2	19.2	22.4	21.6	13.9	14.0	3.2	3.0	5.3	4.6
Mexico[f]	21.7	22.2	23.8	23.9	18.1	18.1	2.6	2.7	3.1	3.0
Nicaragua	17.5	17.4	19.5	19.7	13.8	13.7	1.1	1.2	4.6	4.8
Panama	13.8	12.6	17.0	16.4	9.4	9.2	1.8	1.9	5.9	5.3
Paraguay	14.1	14.1	15.3	16.9	11.6	12.1	0.7	0.8	3.1	4.0
Peru	19.7	20.3	21.7	21.7	15.5	15.7	1.3	1.3	5.0	4.6
Uruguay	30.5	30.0	32.6	33.0	28.4	29.0	2.8	2.6	1.5	1.5
The Caribbean[g]	**27.3**	**27.2**	**29.0**	**29.0**	**21.9**	**21.8**	**2.9**	**2.7**	**4.2**	**4.5**
Antigua and Barbuda	19.8	18.1	22.1	21.7	17.8	17.4	2.5	2.5	1.8	1.8
Bahamas[h]	16.6	19.0	19.9	20.7	15.2	16.4	2.6	2.5	2.2	1.7
Barbados[i j]	29.4	28.7	29.7	25.0	24.0	20.8	3.8	2.4	1.9	1.8
Belize[i]	31.7	30.4	33.0	35.0	25.0	25.4	3.3	3.3	4.6	6.3
Dominica	50.0	39.3	57.9	56.9	30.1	36.4	2.0	2.2	25.8	18.3
Grenada	26.9	26.0	22.0	21.8	17.3	17.6	2.0	1.9	2.8	2.4
Guyana	28.3	29.7	31.6	33.2	23.7	24.4	1.1	1.0	6.8	7.8
Jamaica[i]	30.6	30.2	29.4	29.3	19.9	19.9	6.3	6.1	3.2	3.3
Saint Kitts and Nevis	42.5	41.5	39.3	39.9	26.7	26.5	1.4	1.3	11.1	12.1
Saint Lucia	22.9	22.0	24.9	24.8	17.3	17.3	3.1	3.1	4.5	4.4
Saint Vincent and the Grenadines	29.1	29.9	30.7	32.9	23.8	24.6	2.4	2.4	4.5	5.9
Suriname[d]	23.1	22.1	34.8	32.4	26.3	25.1	3.9	3.2	4.6	4.0
Trinidad and Tobago[e]	27.2	28.6	30.7	31.0	25.5	25.8	3.0	3.0	2.2	2.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages of the 28 countries that submitted reports. The coverage corresponds to the central government.
[b] Simple averages for 16 countries. Does not include Bolivia (Plurinational State of), Cuba, Haiti or Venezuela (Bolivarian Republic of).
[c] General government.
[d] Includes statistical discrepancy.
[e] Fiscal years, from 1 October to September 30.
[f] Federal public sector.
[g] Simple averages for 12 countries. Does not include Dominica.
[h] Fiscal years, from 1 July to June 30.
[i] Fiscal years, from 1 April to March 31.
[j] Non-financial public sector.

Table A.36
Latin America and the Caribbean: non-financial public sector gross public debt
(Percentages of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019
Latin America and the Caribbean[a]	**54.1**	**55.4**	**56.2**	**57.1**	**57.8**	**59.4**	**59.9**	**60.3**
Latin America[a]	**33.6**	**34.9**	**36.7**	**39.5**	**41.3**	**43.1**	**46.5**	**49.0**
Argentina[b]	40.4	43.5	44.7	52.6	53.3	56.6	86.4	90.2
Bolivia (Plurinational State of)[c]	31.3	30.4	30.0	31.6	34.1	37.2	37.9	42.5
Brazil[d]	55.2	56.7	58.9	66.5	70.0	74.0	77.2	75.8
Chile	18.9	20.5	24.1	27.6	30.6	32.1	34.8	38.0
Colombia	40.7	41.9	47.5	54.9	54.9	54.4	57.5	57.3
Costa Rica	41.5	44.1	46.9	49.2	52.8	58.0	62.8	67.6
Dominican Republic	32.2	37.4	36.0	35.1	35.3	36.9	37.6	40.4
Ecuador	21.1	24.0	29.6	33.0	38.2	44.5	45.0	51.8
El Salvador	53.3	51.3	51.8	52.2	52.7	52.2	51.4	52.6
Guatemala	24.5	24.7	24.5	24.3	25.1	25.2	26.6	26.7
Haiti[e][f]	28.0	30.5	35.1	39.7	40.8	36.7	32.7	…
Honduras[f]	34.4	43.4	44.4	44.4	46.1	47.7	48.2	49.1
Mexico[g]	33.9	36.8	40.1	44.2	49.4	46.9	46.9	47.1
Nicaragua	32.0	31.5	30.7	30.4	31.8	34.5	38.0	42.7
Panama	35.3	34.9	36.5	37.4	37.4	37.6	39.5	46.4
Paraguay	10.7	10.8	13.5	15.1	17.3	18.2	19.7	22.7
Peru	20.4	19.6	20.0	20.9	22.7	24.9	25.8	26.8
Uruguay	45.7	41.5	44.6	52.2	50.2	52.0	54.3	54.9
Venezuela (Bolivarian Republic of)[f]	27.5	32.9	28.5	31.7	31.1	…	…	…
The Caribbean[h]	**80.8**	**82.3**	**81.8**	**80.0**	**79.4**	**80.7**	**77.5**	**75.2**
Antigua and Barbuda	87.7	101.1	100.2	86.9	82.6	83.4	78.5	72.7
Bahamas	50.3	65.4	71.4	69.7	72.9	78.1	78.1	76.5
Barbados	120.3	131.5	137.0	144.2	151.2	148.4	126.3	119.5
Belize	77.4	79.4	77.7	80.9	87.3	95.0	93.6	95.0
Dominica	77.6	77.9	78.1	74.2	68.3	74.4	74.5	78.8
Grenada	103.3	103.7	96.9	88.6	80.0	69.7	66.3	58.9
Guyana	63.4	57.8	51.8	48.1	45.7	47.1	47.0	41.3
Jamaica	129.4	130.2	129.4	112.9	108.4	104.4	97.1	92.4
Saint Kitts and Nevis	126.1	93.3	71.7	63.7	59.0	59.3	57.3	57.4
Saint Lucia	67.2	68.8	68.8	65.8	65.5	64.8	64.3	64.9
Saint Vincent and the Grenadines	68.7	71.4	80.3	79.1	82.1	74.1	75.5	70.5
Suriname[f]	27.3	35.6	33.3	52.3	49.0	74.8	72.6	75.2
Trinidad and Tobago	52.2	53.8	66.5	73.5	80.1	75.8	76.5	74.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages. Does not include Haiti and Venezuela (Bolivarian Republic of).
[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] Does not include public sector commitments to commercial banks.
[f] Central government.
[g] Federal public sector.
[h] Simple averages.

Table A.37
Latin America and the Caribbean: central government gross public debt
(Percentages of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019
Latin America and the Caribbean[a]	**48.7**	**49.7**	**50.8**	**51.6**	**52.4**	**54.1**	**54.9**	**55.7**
Latin America[a]	**31.1**	**32.4**	**33.8**	**36.3**	**38.1**	**39.8**	**42.9**	**45.7**
Argentina[b]	40.4	43.5	44.7	52.6	53.3	56.6	86.4	90.2
Bolivia (Plurinational State of)	29.1	28.4	27.7	29.5	31.4	34.4	36.0	40.4
Brazil[c]	55.2	56.7	58.9	66.5	70.0	74.0	77.2	75.8
Chile	11.9	12.8	14.9	17.4	21.3	23.6	25.6	27.9
Colombia	34.5	37.1	40.2	45.0	46.0	44.9	48.6	48.6
Costa Rica	34.3	35.9	38.5	41.0	44.9	48.4	52.5	58.5
Dominican Republic	31.5	37.2	35.9	34.4	36.2	38.0	36.8	39.6
Ecuador	20.1	22.9	27.5	30.9	35.7	41.3	42.2	47.8
El Salvador	50.9	49.2	49.6	49.7	49.6	48.2	47.6	48.8
Guatemala	24.5	25.0	24.7	24.8	25.0	25.1	26.6	26.6
Haiti[d]	28.0	30.5	35.1	39.7	40.8	36.7	32.7	32.7
Honduras	34.4	43.4	44.4	44.4	46.1	47.7	48.2	49.1
Mexico	27.8	29.8	31.7	34.1	37.0	35.2	35.4	36.4
Nicaragua	31.2	30.8	30.2	29.9	31.2	34.0	37.6	42.3
Panama	34.8	34.4	36.2	37.1	37.0	37.3	39.3	46.4
Paraguay	9.5	9.7	12.1	13.3	15.1	15.7	16.9	19.6
Peru	18.3	17.3	18.2	19.7	21.6	23.3	23.8	24.8
Uruguay	40.2	36.9	39.2	47.2	46.1	47.9	47.7	53.8
Venezuela (Bolivarian Republic of)	27.5	32.9	28.5	31.7	31.1	…	…	…
The Caribbean[e]	**71.7**	**72.3**	**73.0**	**71.5**	**71.0**	**73.0**	**70.5**	**68.8**[e]
Antigua and Barbuda	72.9	78.7	84.1	71.1	67.8	67.2	64.2	60.9
Bahamas	46.5	52.5	57.5	56.6	59.6	64.8	64.4	63.8
Barbados	106.3	116.2	121.9	129.6	138.4	136.9	125.4	119.4
Belize[f]	74.0	76.0	75.0	78.0	85.0	92.0	90.0	91.0
Dominica	64.6	65.1	65.2	64.0	57.4	62.3	64.0	69.0
Grenada	93.0	94.6	89.6	82.7	75.7	65.8	62.7	56.9
Guyana[f]	63.4	57.8	51.8	48.1	45.7	47.1	47.0	41.3
Jamaica[f]	129.4	130.2	129.4	112.9	108.4	104.4	97.1	92.4
Saint Kitts and Nevis	99.7	72.2	59.9	51.3	47.9	47.6	41.5	39.9
Saint Lucia	61.5	63.9	64.9	62.6	62.9	60.7	60.6	61.3
Saint Vincent and the Grenadines	57.1	59.1	68.7	67.6	65.9	67.2	69.4	66.8
Suriname	27.3	35.6	33.3	52.3	49.0	74.8	72.6	75.2
Trinidad and Tobago	36.4	37.5	48.2	52.8	59.8	57.5	58.3	56.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages. Does not include Haiti and Venezuela (Bolivarian Republic of). Figures may vary due to rounding.
[b] National public sector.
[c] General government.
[d] Does not include public sector commitments to commercial banks.
[e] Simple averages.
[f] Public sector.

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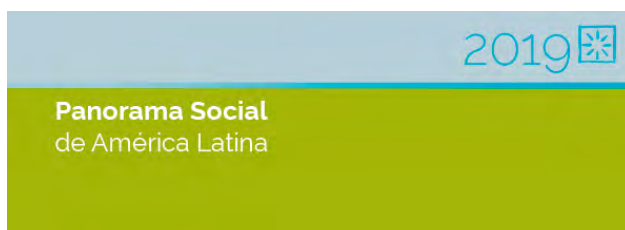
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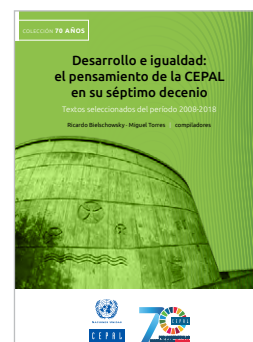Textos seleccionados del período 2008-2018

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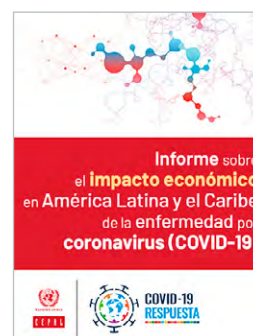
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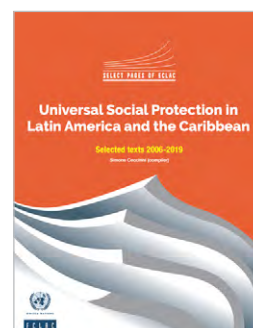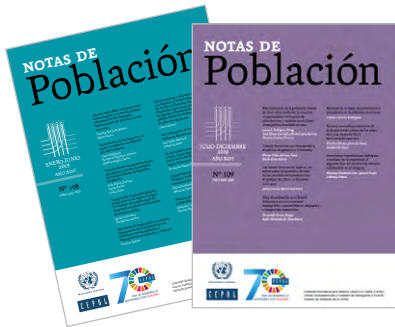
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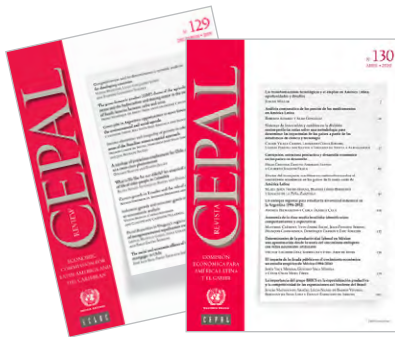
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