



Latin America's Socio-Economic Outlook:

*Reflections on growth &
development*

Diego Vilán

Latin America Research Group
- Research Department -

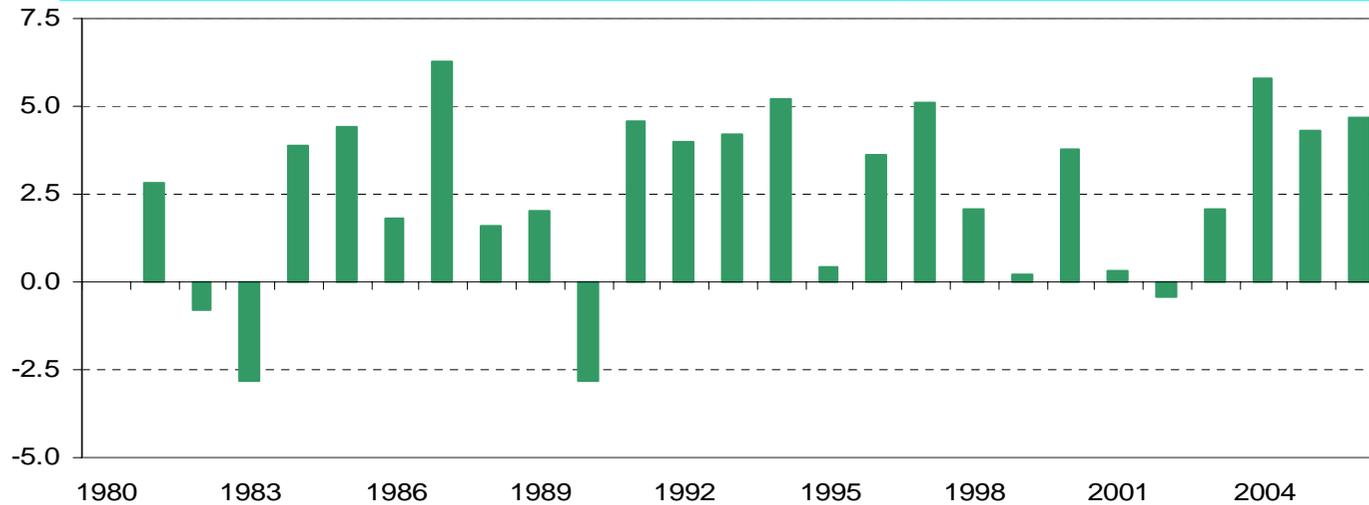
Miami, November 16th, 2006

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Reflections on Growth

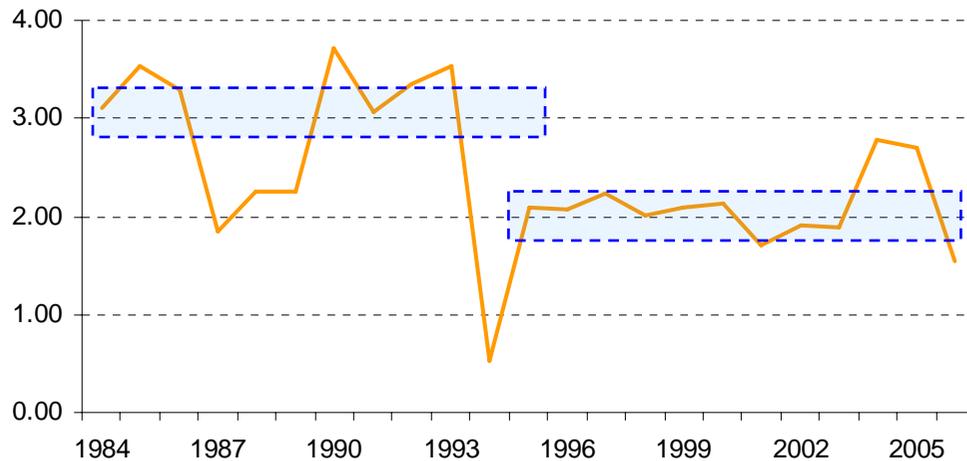
Latin America is currently experiencing its strongest expansionary cycle in decades

Latin America's GDP growth [% yoy; 1980:2006F]



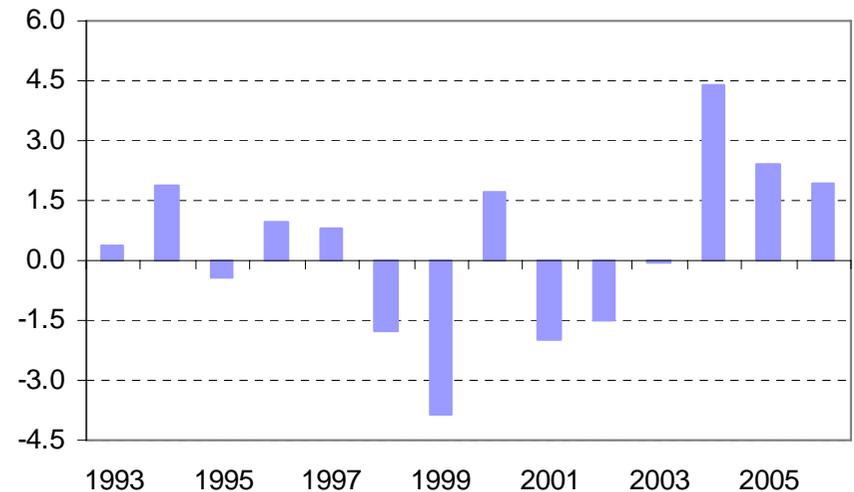
Source: EIU

Latin America's GDP volatility [4yma; 1980:2006]



Source: Own

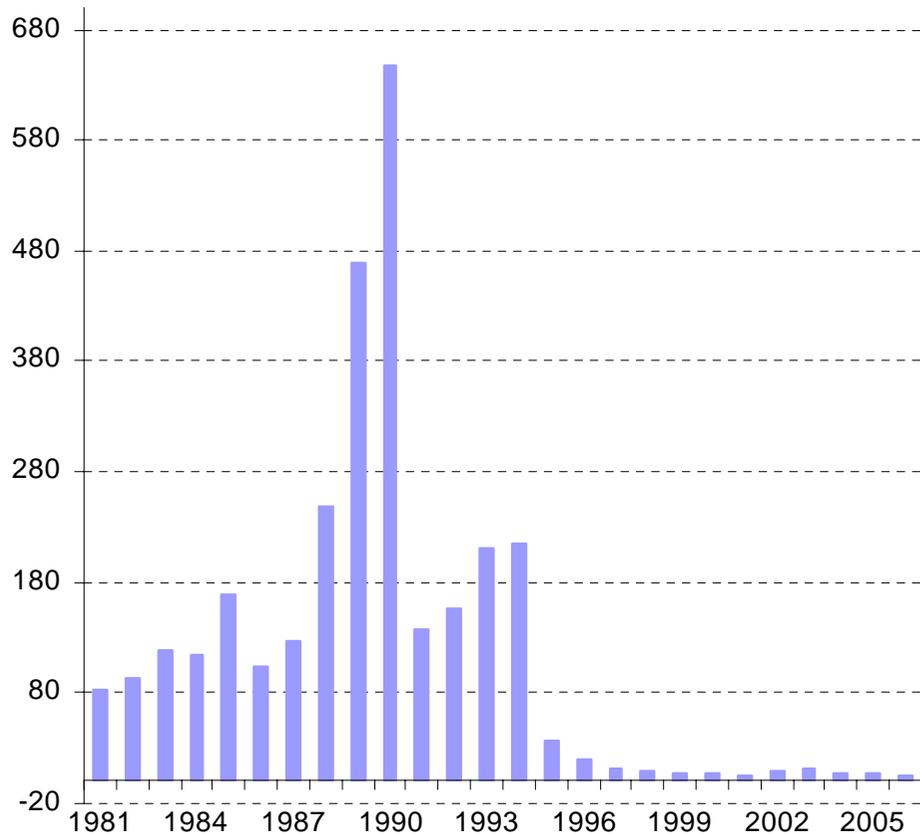
Latin America's productivity [TFP %yoy; 1993:2006]



Source: EIU

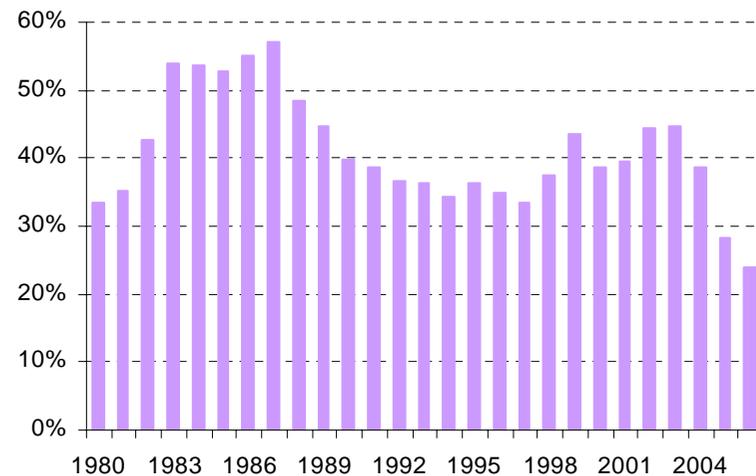
To achieve this, the region had first to deal with two chronic problems: inflation and high indebtedness levels.

Latin American CPI Index [% - yoy; 1980:2006]



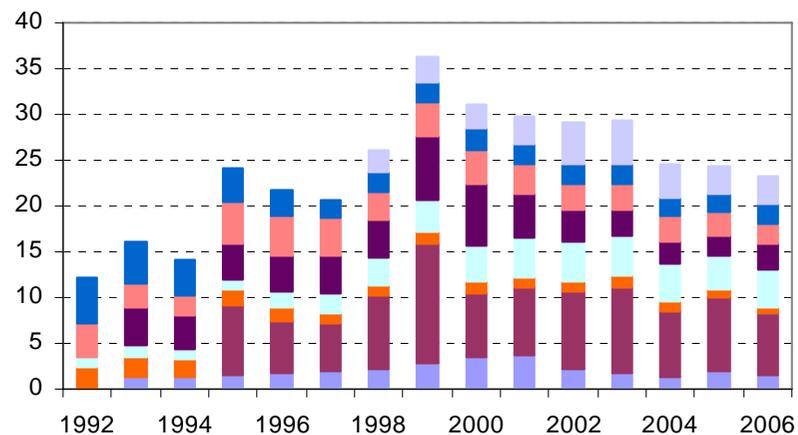
Source: EIU

Stock of Foreign Debt [% of GDP; 1980:2006]



Source: EIU

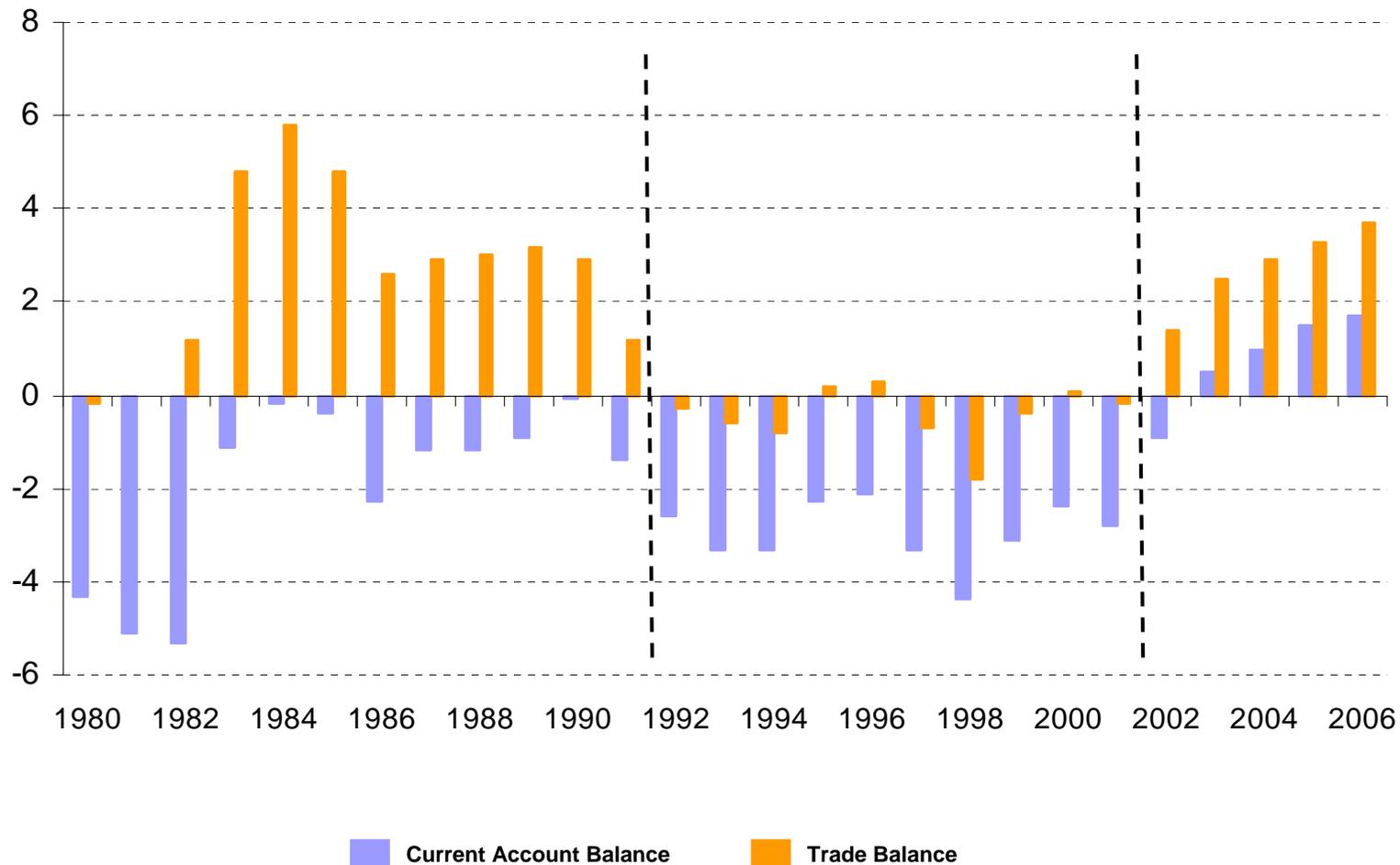
LAC-8 Debt Interest Payments [% of GDP; 1991:2006]



Source: EIU

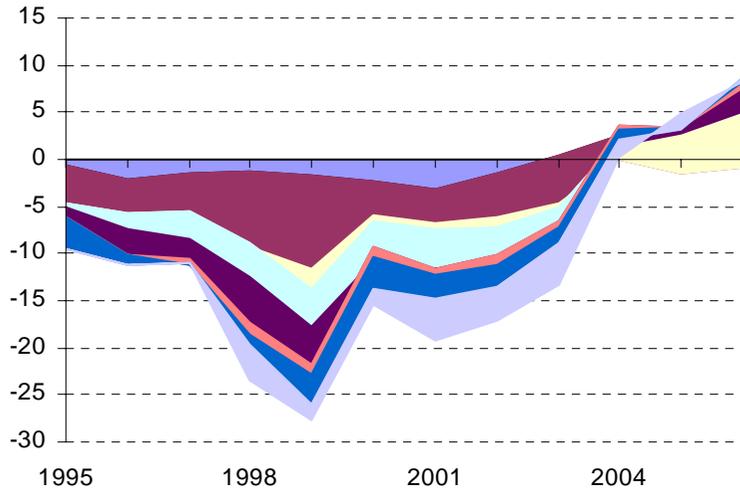
Reductions in debt stocks and interest payments have enabled the region to record its first current account surpluses in over a quarter of a century.

Current Account & Trade Balance [% of GDP; 1980:2006]



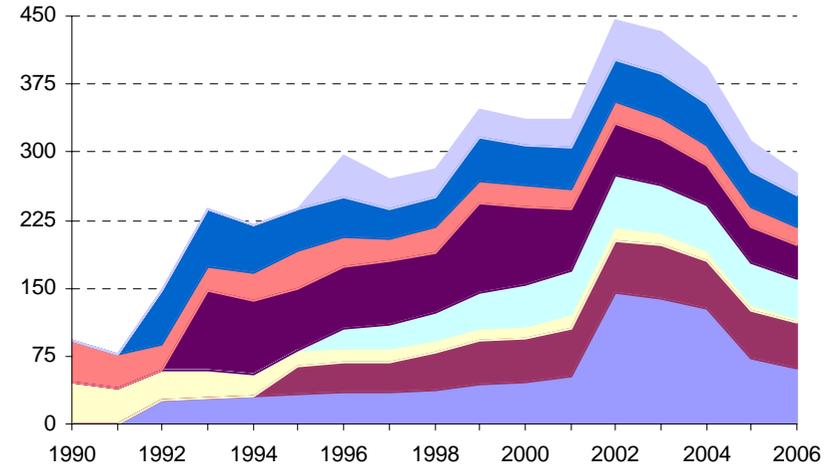
The reforms implemented to address fiscal imbalances, were paramount to achieve macroeconomic stability. Country risk spreads are currently at historical lows.

LAC-8 Budget Balance [% GDP; 1995:2006]



Source: EIU

LAC-8 Public Debt Stock [% of GDP; 1990:2006]



Source: EIU

S&P LT Sovereign Debt Credit Ratings

- AAA +
- AA+
- AA
- AA-
- A+
- A
- A-
- BBB+
- BBB
- BBB-
- BB+
- BB
- BB-
- B+
- B
- B
- CCC+

	Oct 95	Oct 00	Oct 06
Argentina	BB-	BB-	B+
Mexico	BB-	BB-	BBB ↑
Peru	BB	BB-	BB ↑
Brazil	B+	B+	BB ↑
Ecuador	n/a	CCC+	CCC+
Colombia	BBB-	BB+	BB
Chile	A-	A	A ↑
Venezuela	B+	B	BB- ↑

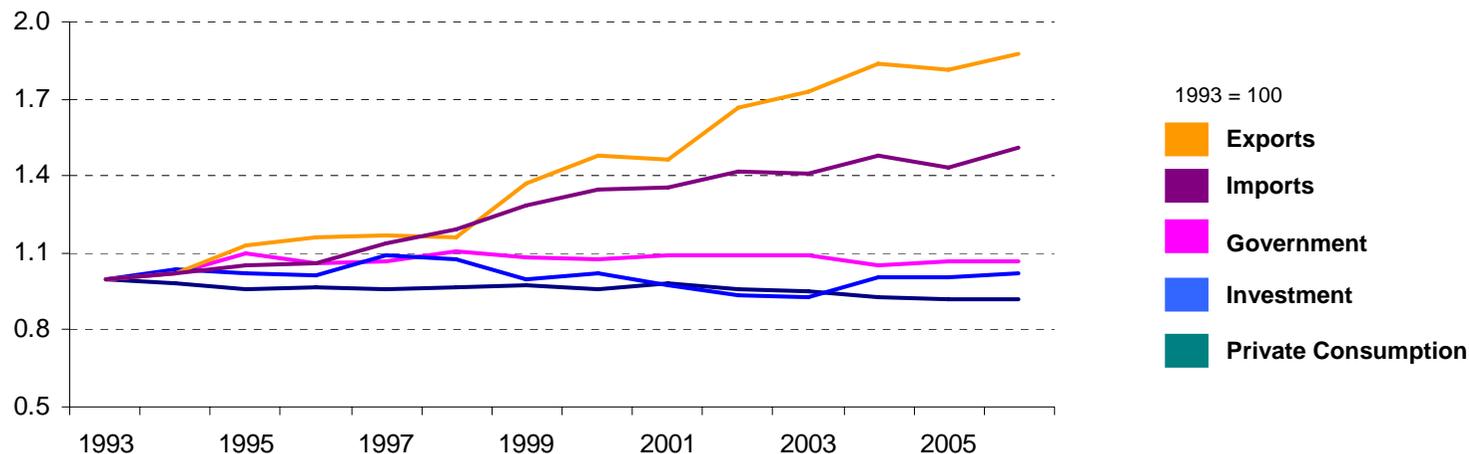
Sovereign Spread [bp; 12/1997:11/2006]



Source: JP Morgan

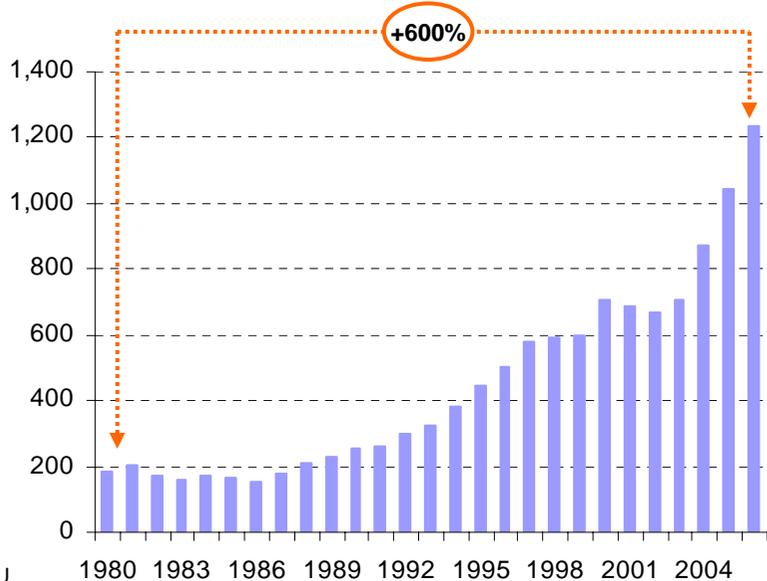
Latin America's has benefited tremendously from globalization, with the external sector outpacing real GDP growth.

Economic Sectors Index [% of GDP; 1993:2006]



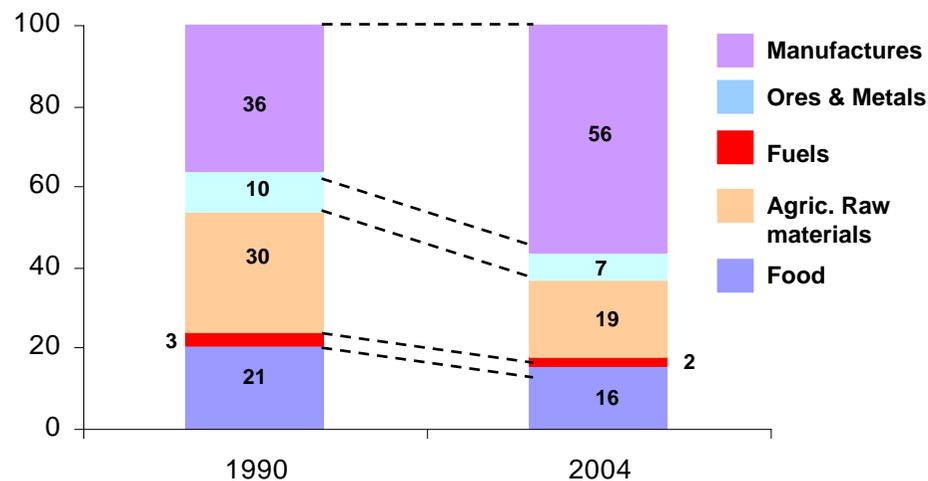
Source: EIU

Trade Volume [USD Bil; 1980:2006]



Source: EIU

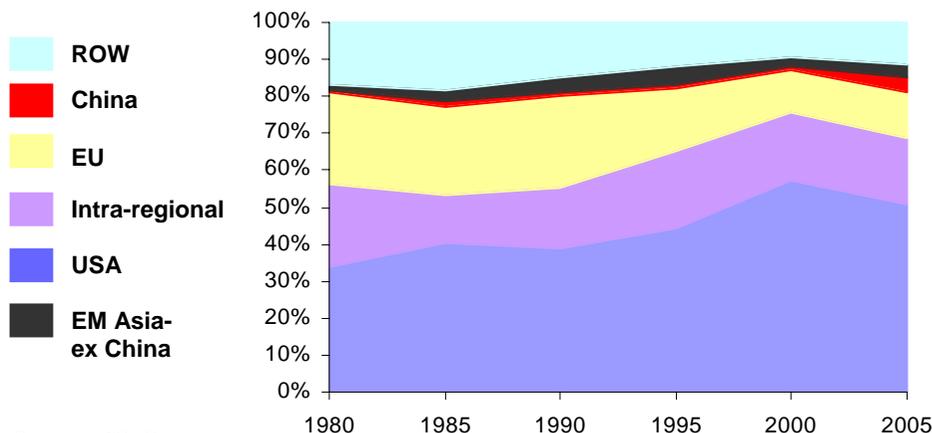
Structure of Exports [% of total; 1990:2004]



Source: World Bank, WDI

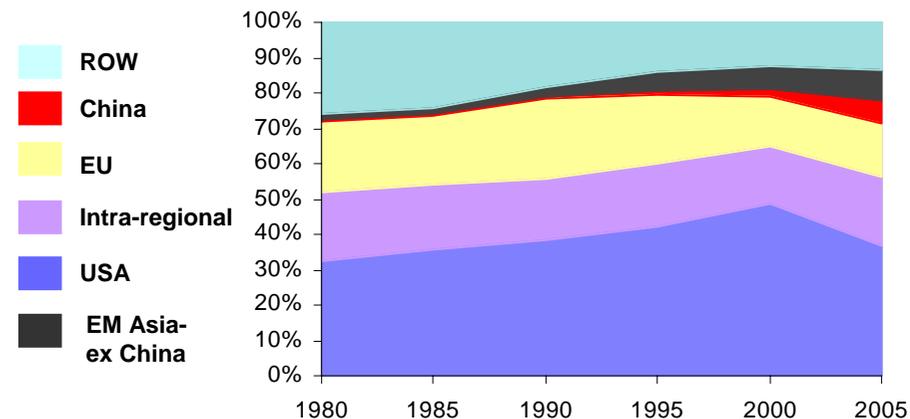
China has recently become the fastest growing market for Latin American exports. This trend is expected to continue in the near future.

Main exports destination [% of total; 1980:2006]



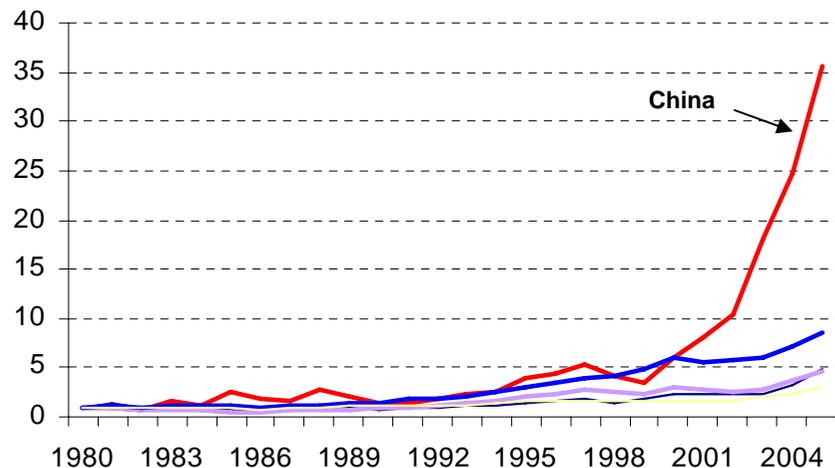
Source: DOTS -IMF

Main imports origins [% of total; 1980:2006]



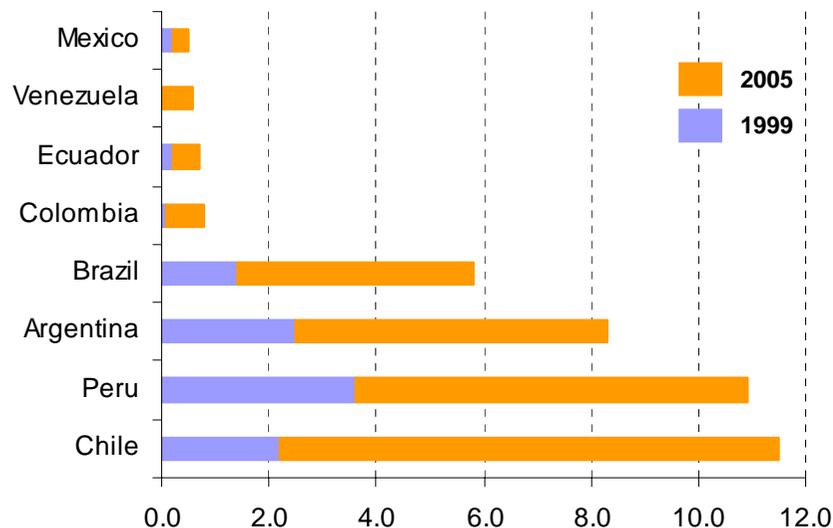
Source: DOTS -IMF

Evolution of top exporters [1980=100; 1980:2006]



Source: DOTS -IMF

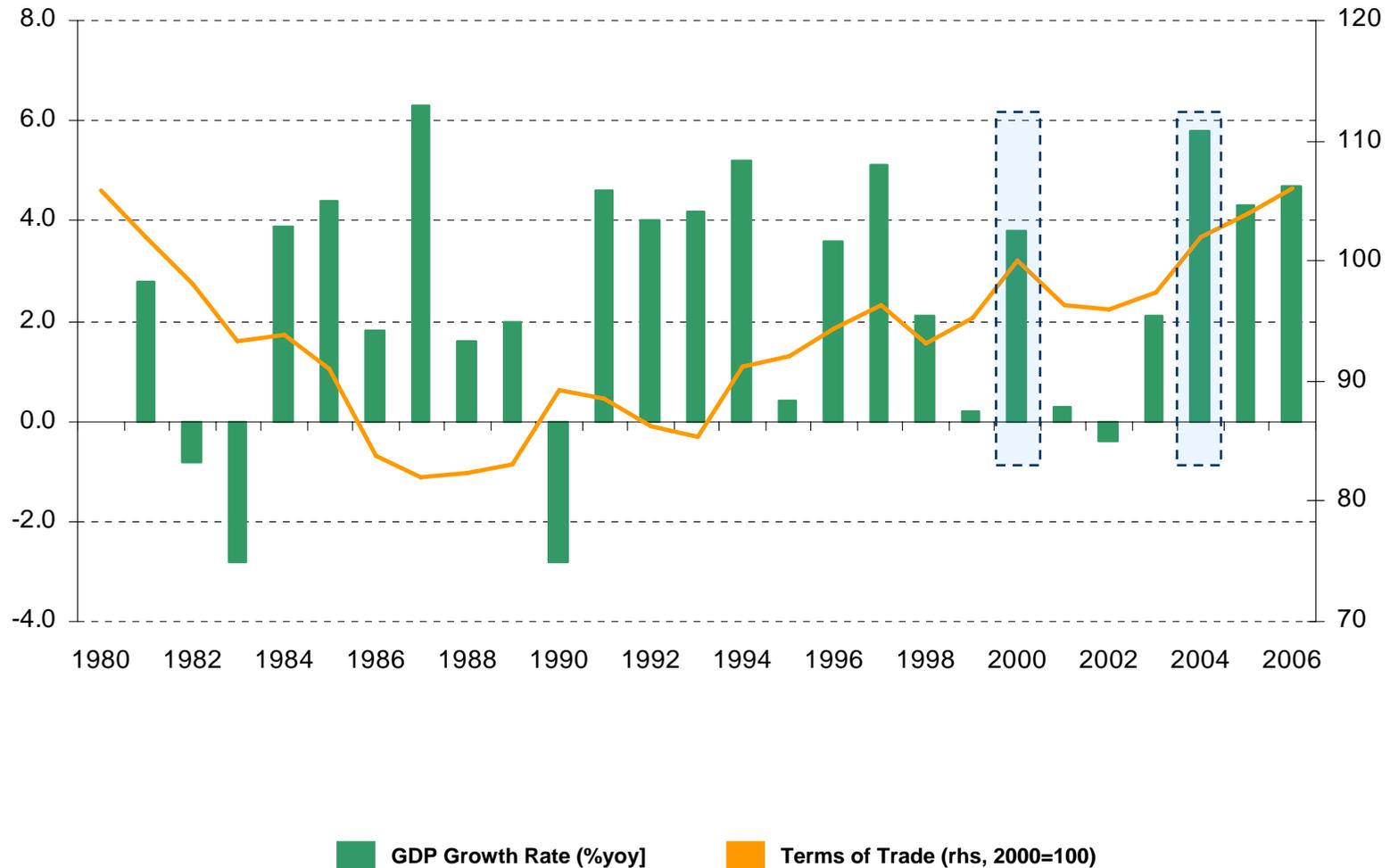
Exports to China [% of total exports; 1999:2005]



Source: JP Morgan

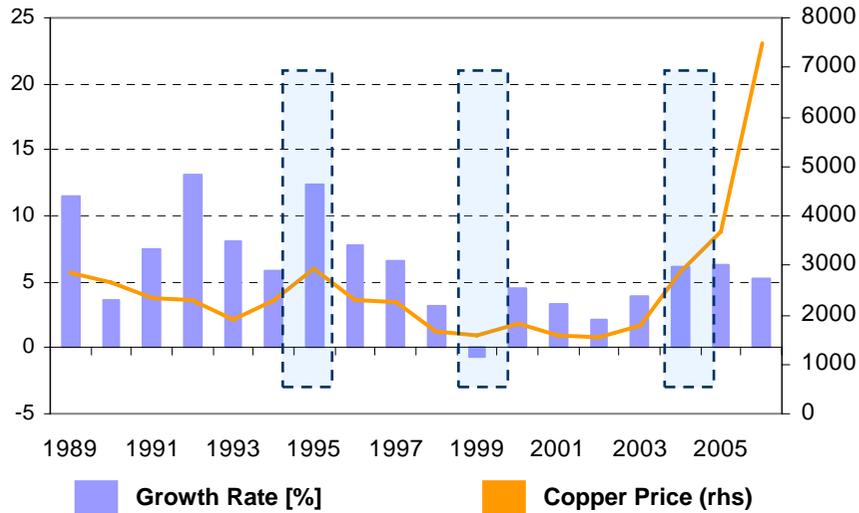
As it became more integrated to the world, Latin America has also become more exposed to swings in the terms of trade

Latam GDP growth & Terms of trade index [1980:2006]

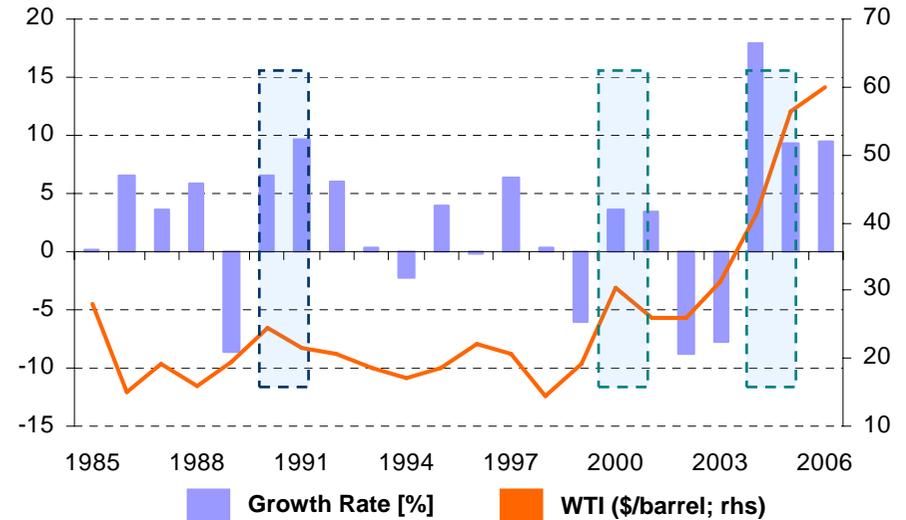


Terms of trade and GDP Growth: selected examples

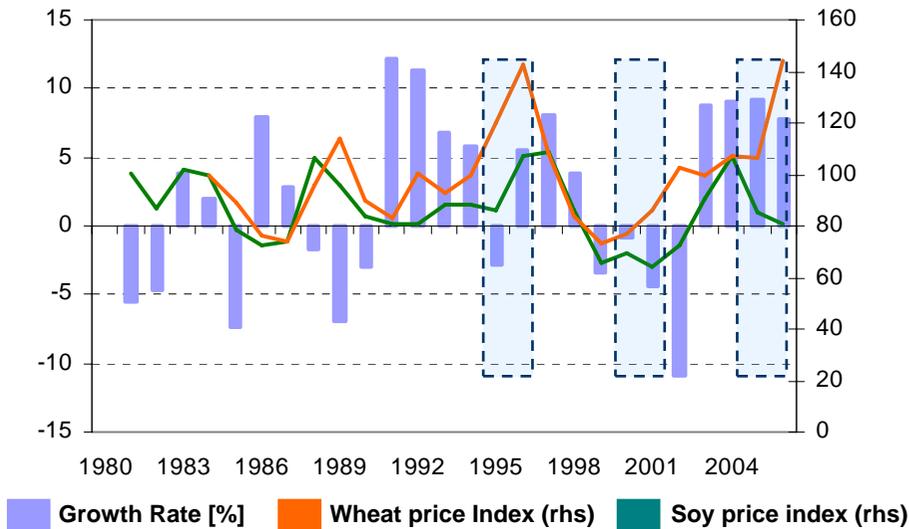
Chile GDP growth & Copper prices [1989:2006]



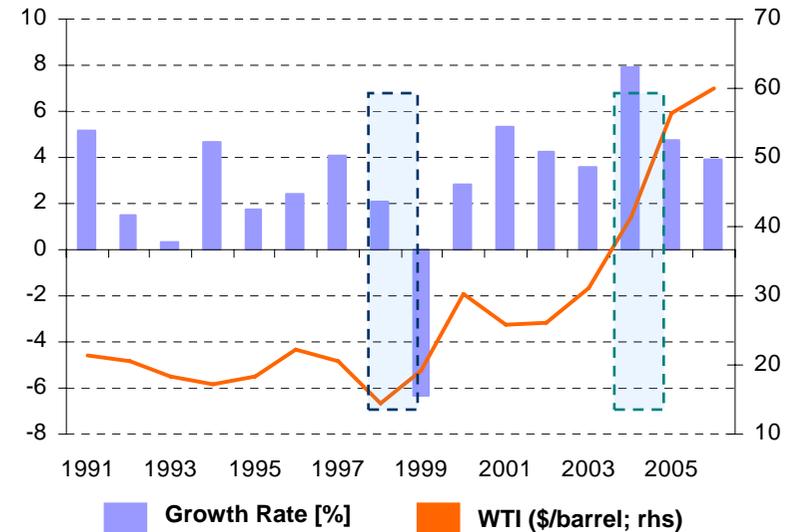
Venezuela GDP growth & Oil prices [1985:2006]



Argentina GDP growth & Commodity prices [1980:2006]

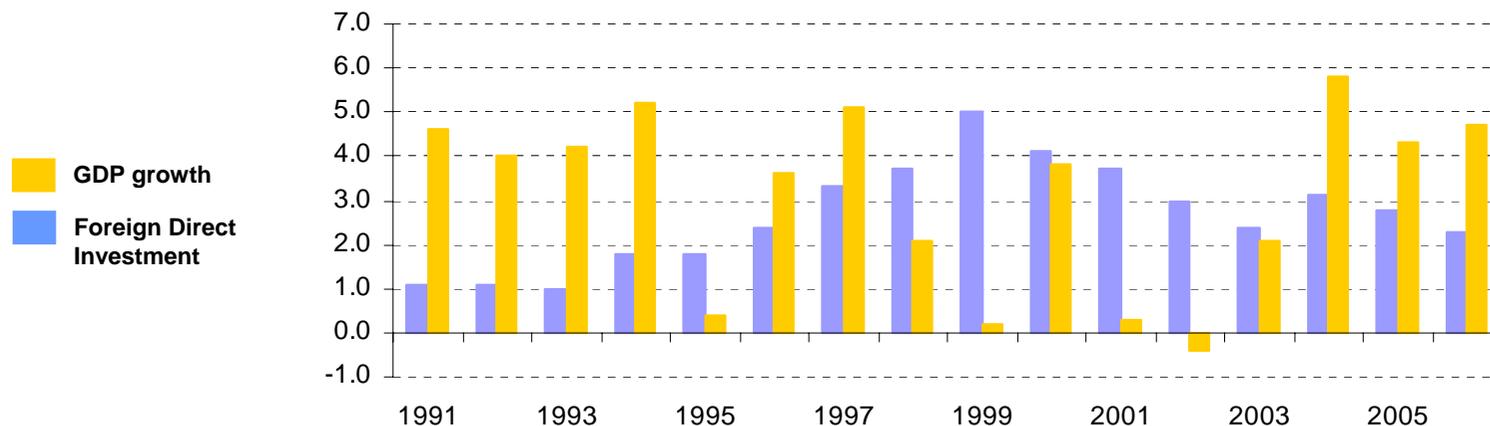


Ecuador GDP growth & Oil prices [1991:2006]



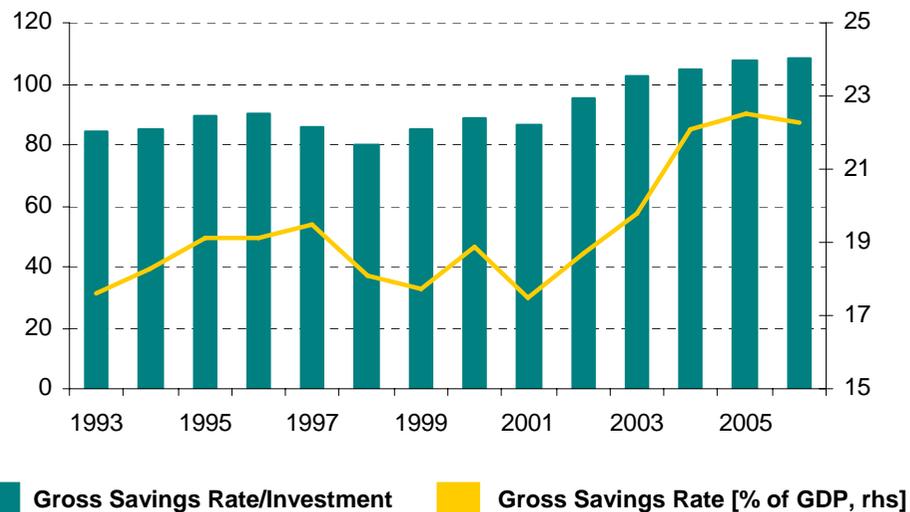
With a relatively low saving rate, the region has traditionally look abroad to satisfy its investment needs. Only recently Latin America has become a net lender of funds.

Real GDP Change & FDI/GDP [% ; 1991:2006]



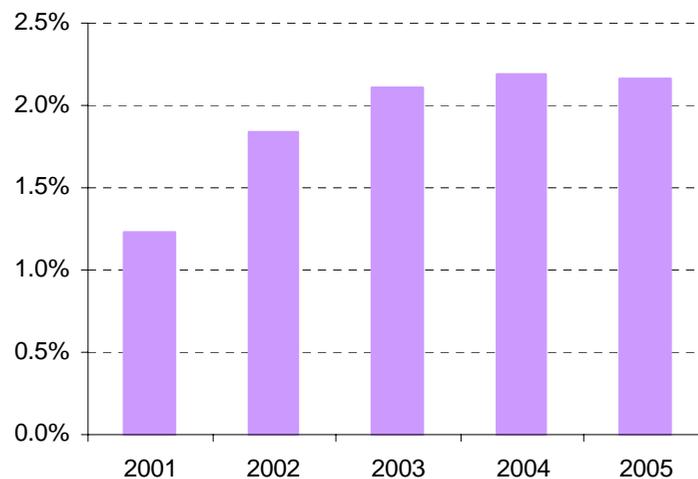
Source: EIU

Savings Rate & Investment [%; 1993:2006]



Source: EIU

Remittances [% of GDP; 2001:2005]

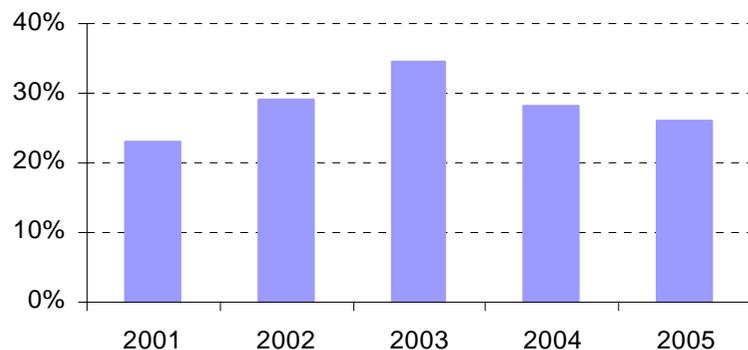


Source: EIU

Remittances may represent an important source of funding, especially for the smaller economies

Remittances [% of GDP; 2001:2005]

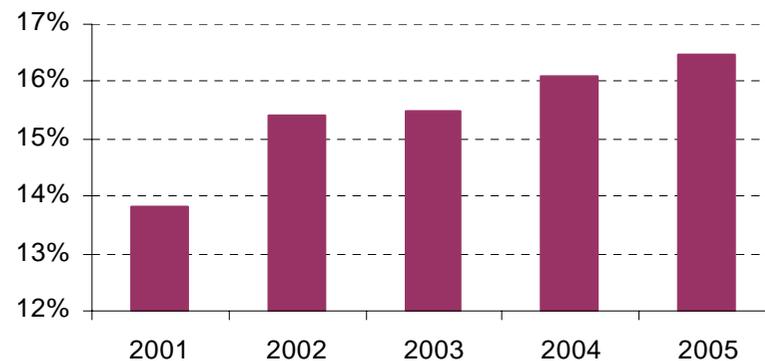
HAITI



Source: EIU

Remittances [% of GDP; 2001:2005]

EL SALVADOR



Source: EIU

Remittances [% of GDP; 2001:2005]

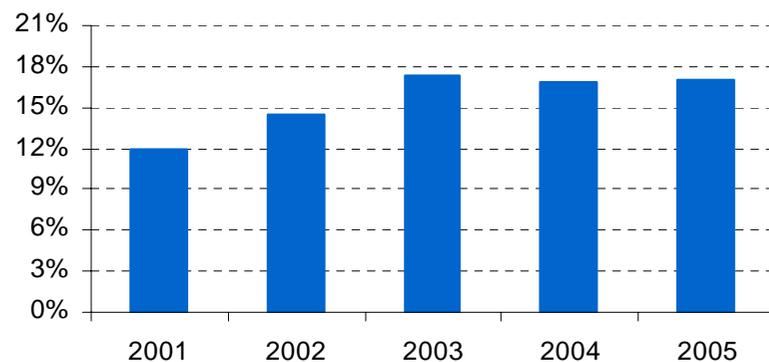
NICARAGUA



Source: EIU

Remittances [% of GDP; 2001:2005]

JAMAICA

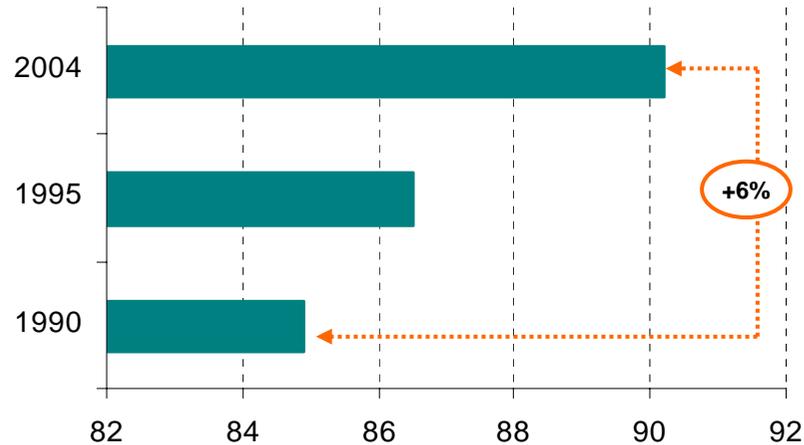


Source: EIU

Reflections on Development

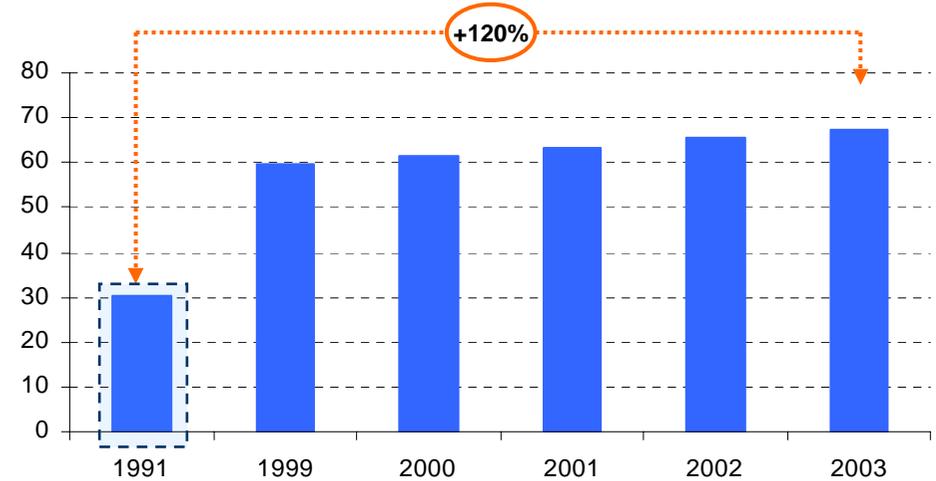
Improvements in education have provided many Latin Americans with new opportunities. Empowering women has been crucial to the development of the region.

Literacy Rate [% of population; 1990:2006]



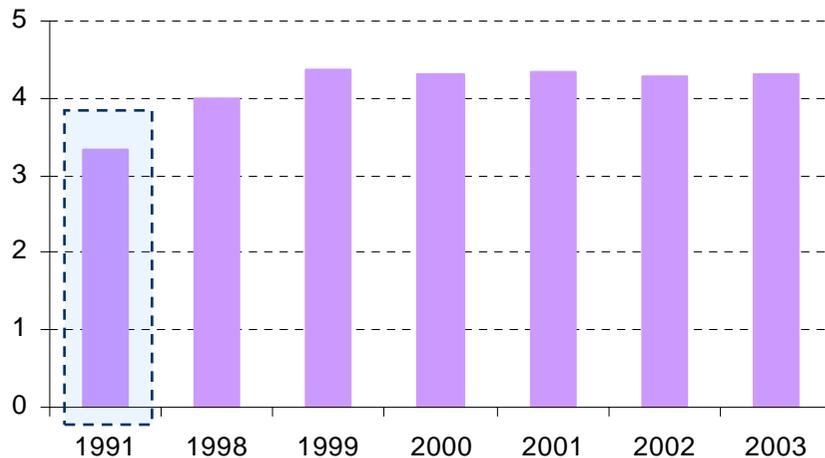
Source: World Bank, WDI

Secondary school enrollment [% net; 1991:2006]



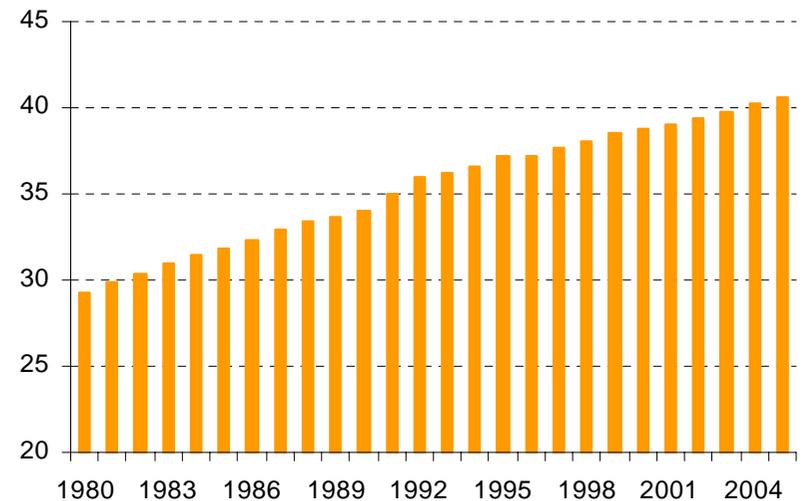
Source: World Bank, WDI

Public Spending on Education [% of GDP; 1991:2006]



Source: World Bank, WDI

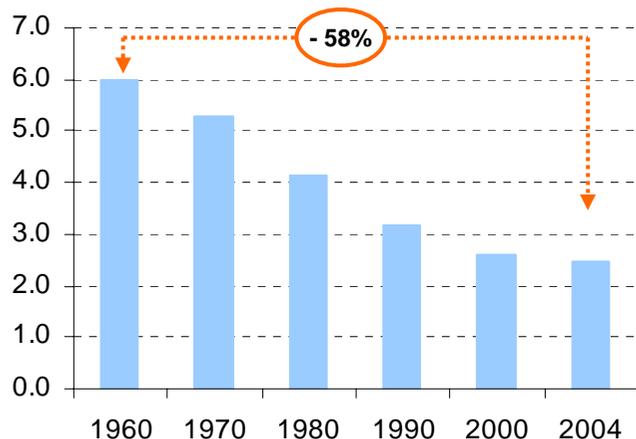
Female participation in the labor force [%; 1980:2005]



Source: World Bank, WDI

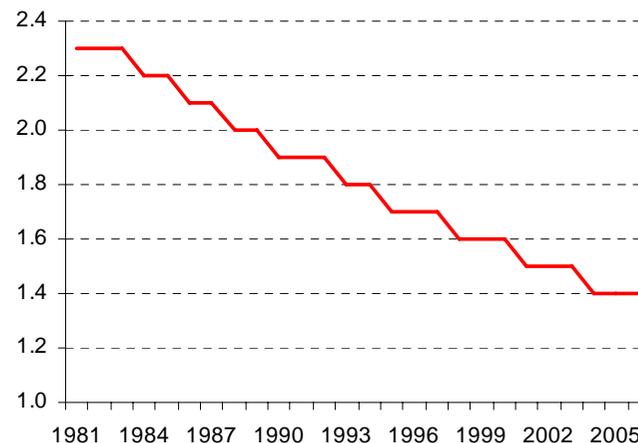
Lower fertility rates allow households with greater incomes to allocate more resources per child and therefore improve their life expectancy.

Latin America's Fertility rate [births/ woman; 1960:2006]



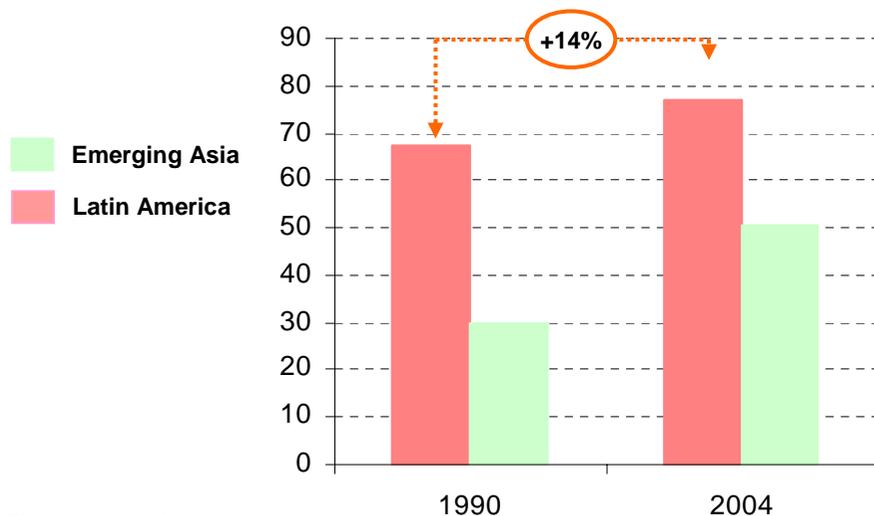
Source: World Bank, WDI

Population Growth Rate [% yoy; xxx:2006]



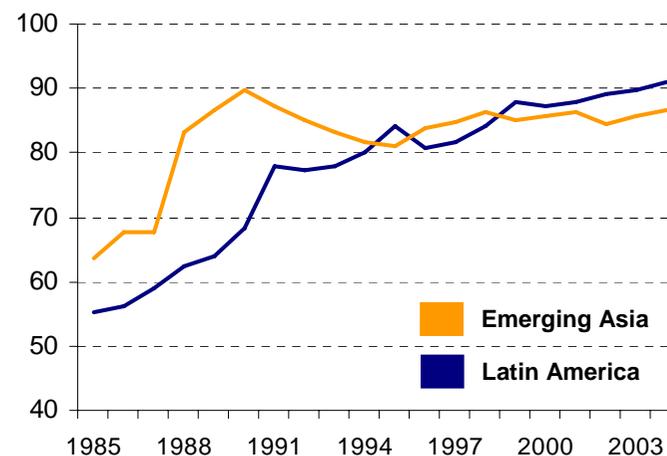
Source: EIU

Access to sanitation facilities [% pop; 1990:2006]



Source: World Bank, WDI

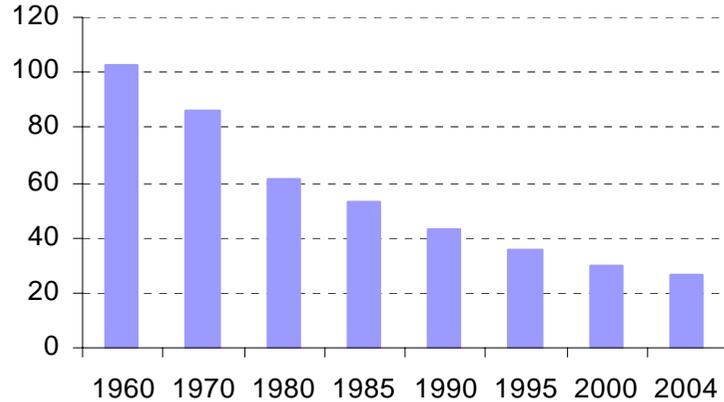
Immunization [% of children 12-23 months; 1985:2004]



Source: World Bank, WDI

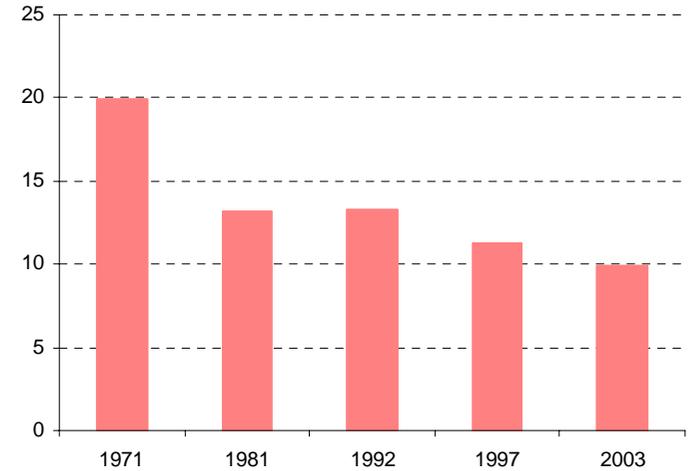
Improved health, lower poverty and better education enable successive generations to have greater opportunities. As this happens, the economy's structure changes.

Infant mortality rate [deaths x 1000; 1960:2004]



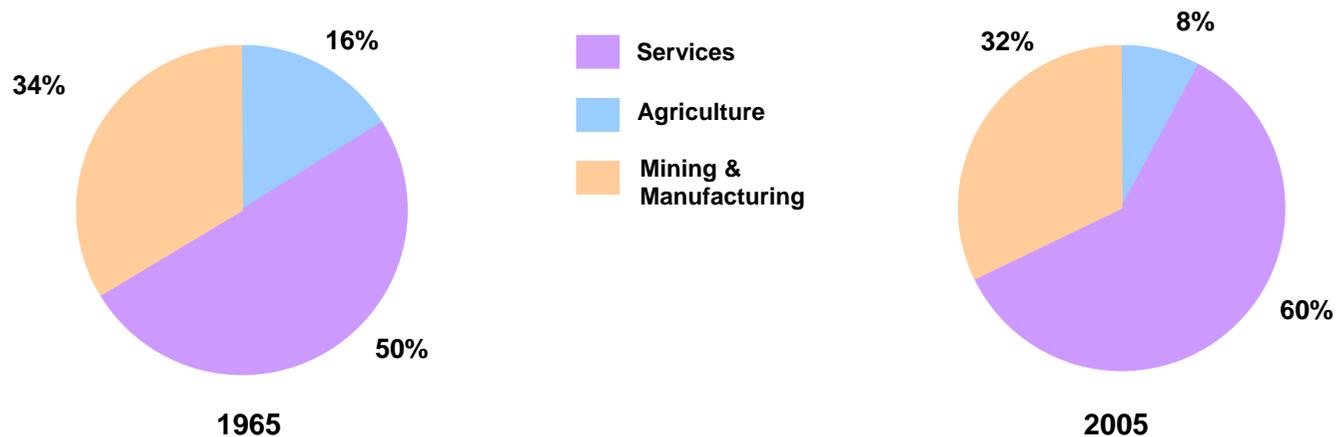
Source: World Bank, WDI

Prevalence of undernourishment [% pop; 1971:2003]



Source: World Bank, WDI

Structure of Latin America's Output [% of GDP; 1965:2005]

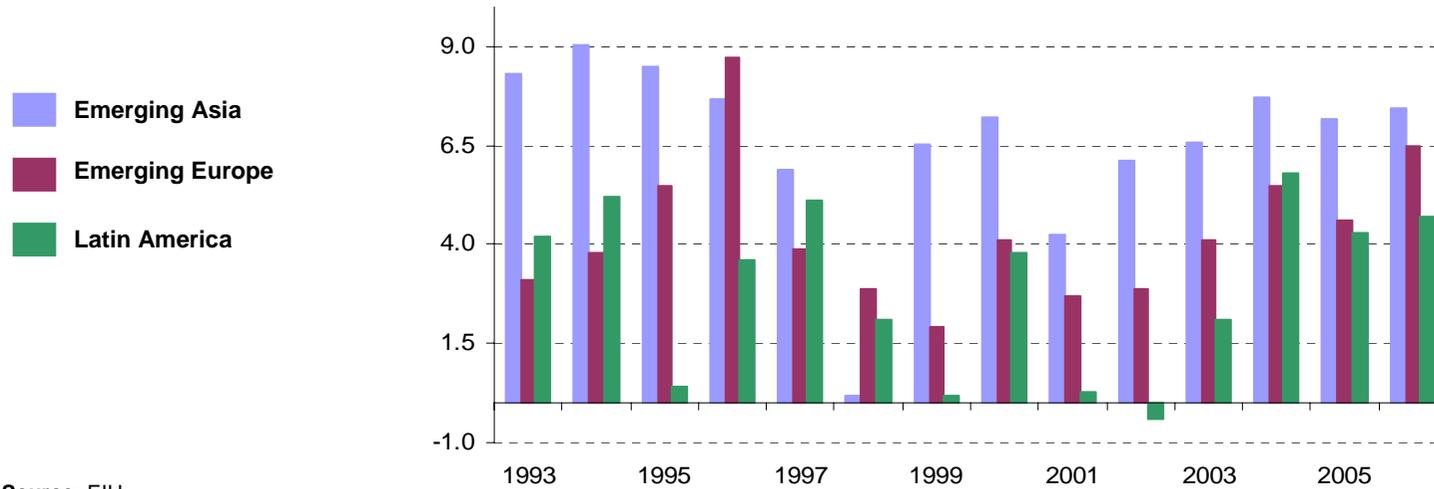


Source: World Bank, WDI

Challenges Ahead

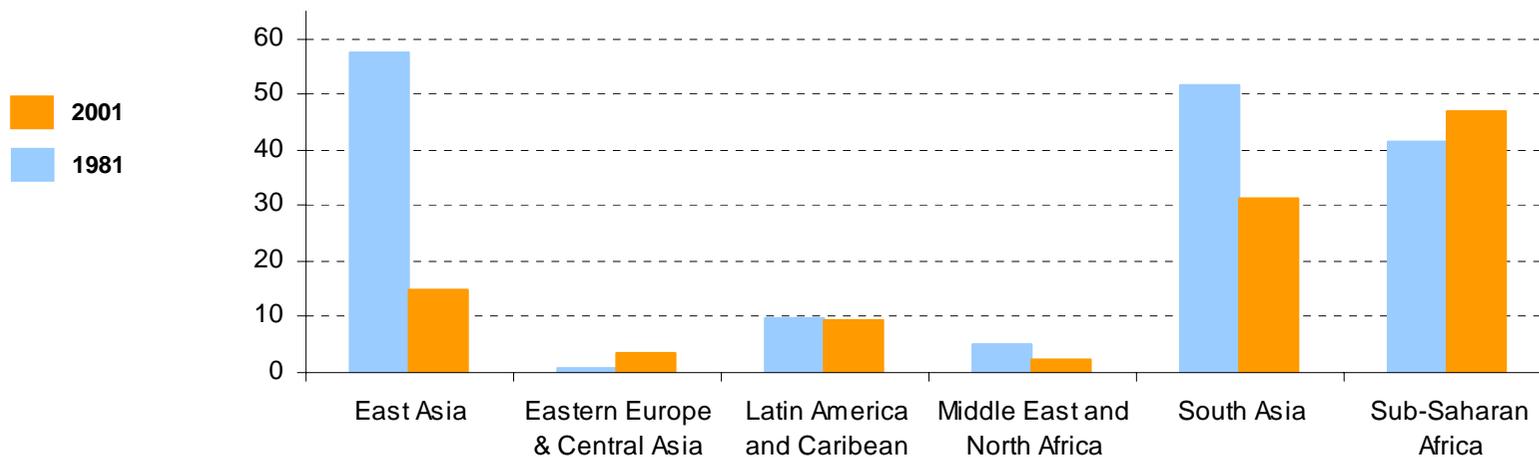
Latin America's GDP growth rate have underperformed vis-à-vis other EM. The proportion of people living in extreme poverty in the region remains almost unchanged.

Regional GDP growth [% yoy ;1993:2006]



Source: EIU

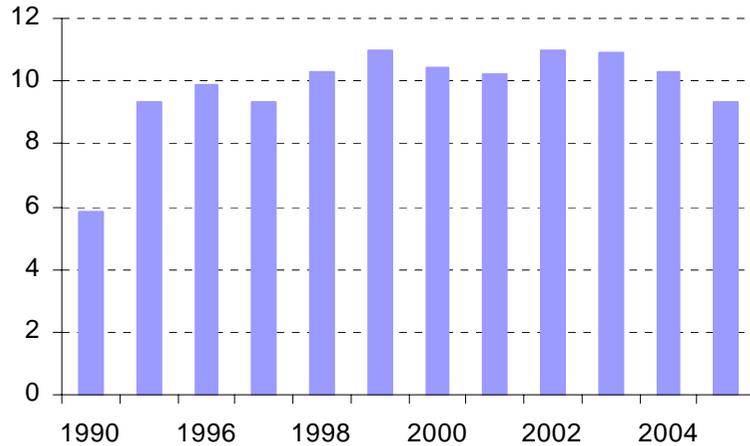
Proportion of people living in extreme Poverty [%; 1981:2001]



Source: Own, based on Chen & Ravallion 2004

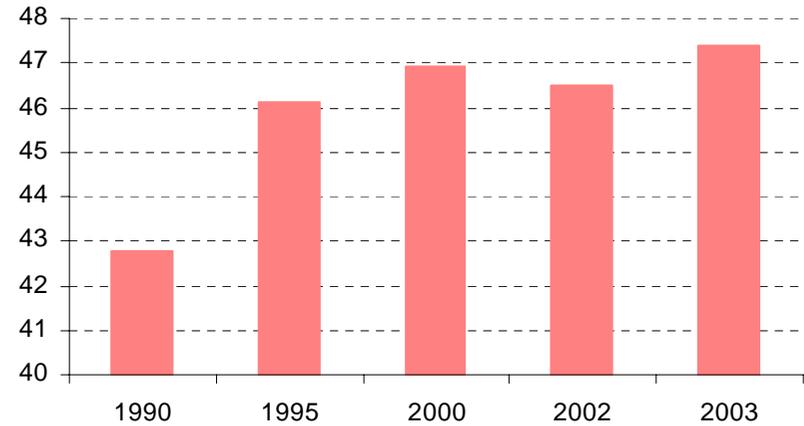
Latin America needs further investment in order to foster growth & lower unemployment rates. Highly attractive investment opportunities abound.

Unemployment [% of active pop; 1990:2005]



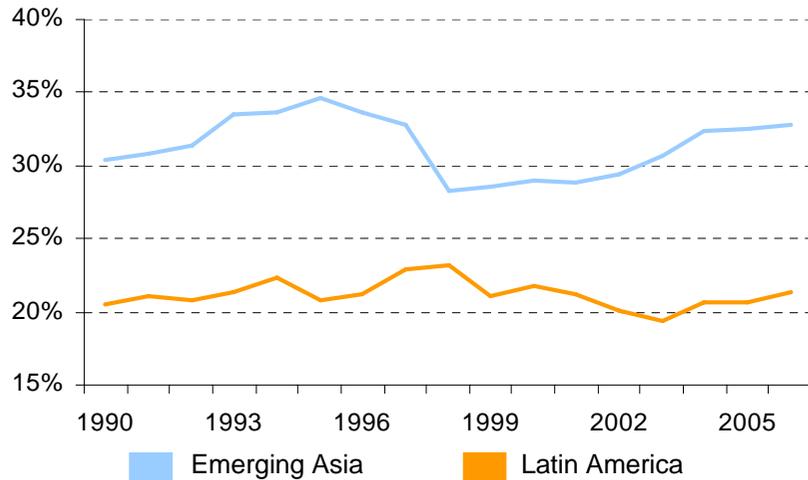
Source: ECLAC

Informal employment [% of total; 1990:2003]



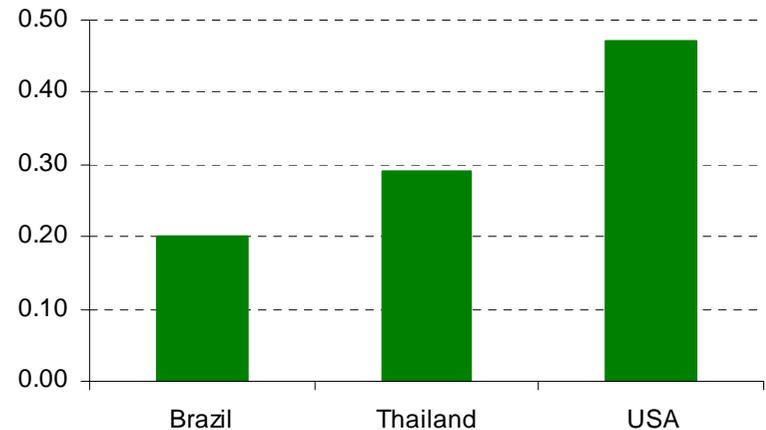
Source: ILO

Real Gross Fixed Investment [% of GDP; 1990:2006]



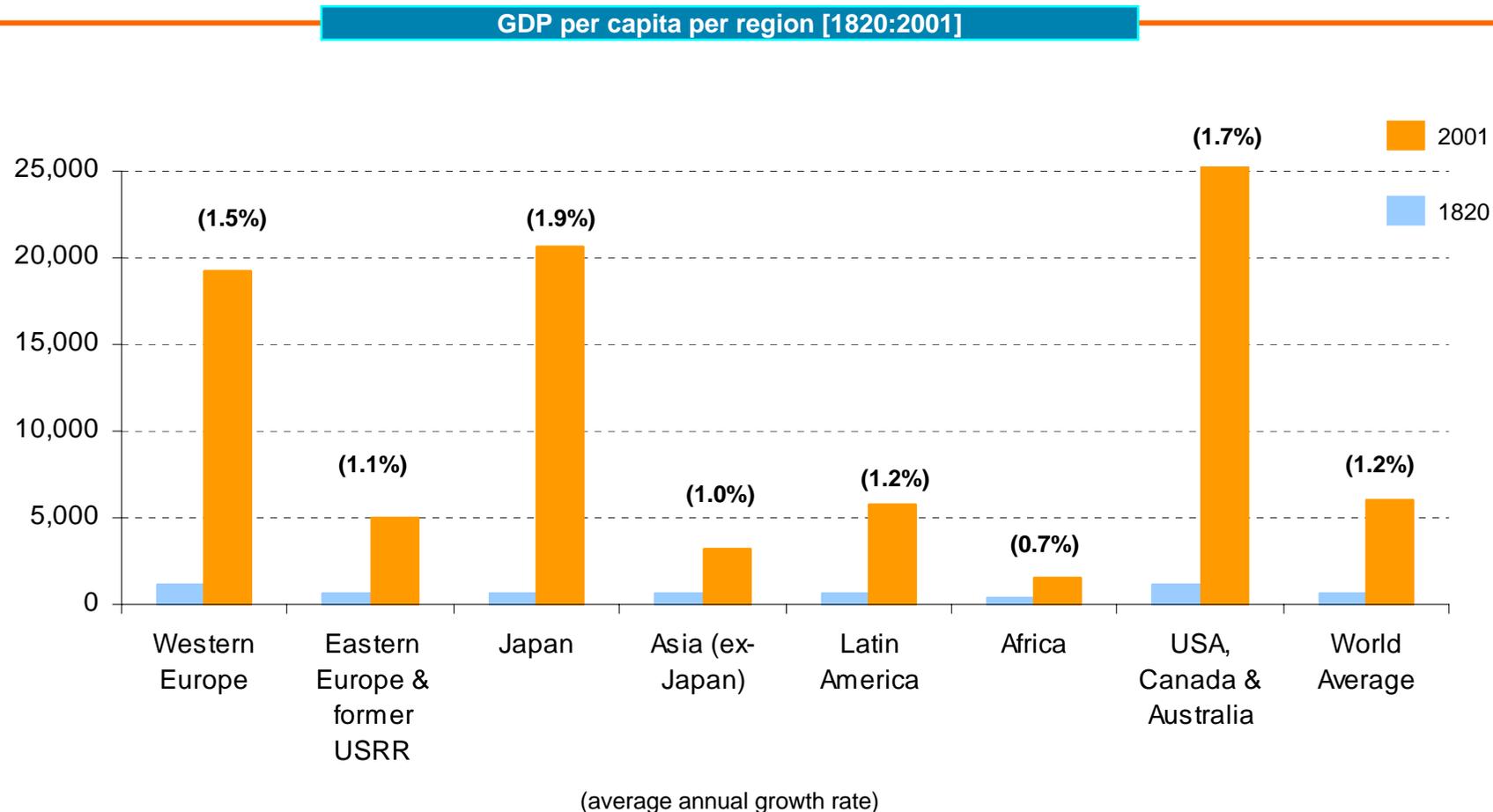
Source: EIU

Ethanol production costs [\$ per liter; 2005]



Source: RB Strategy Consultants research

In fostering economic progress consistency is paramount. The main challenge will thus be to keep a stable macroeconomic framework.



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