



**WESTERN HEMISPHERE  
DEPARTMENT**

# **Boosting Productivity in Latin America and the Caribbean**

**13TH ANNUAL BIS-CCA RESEARCH  
CONFERENCE**

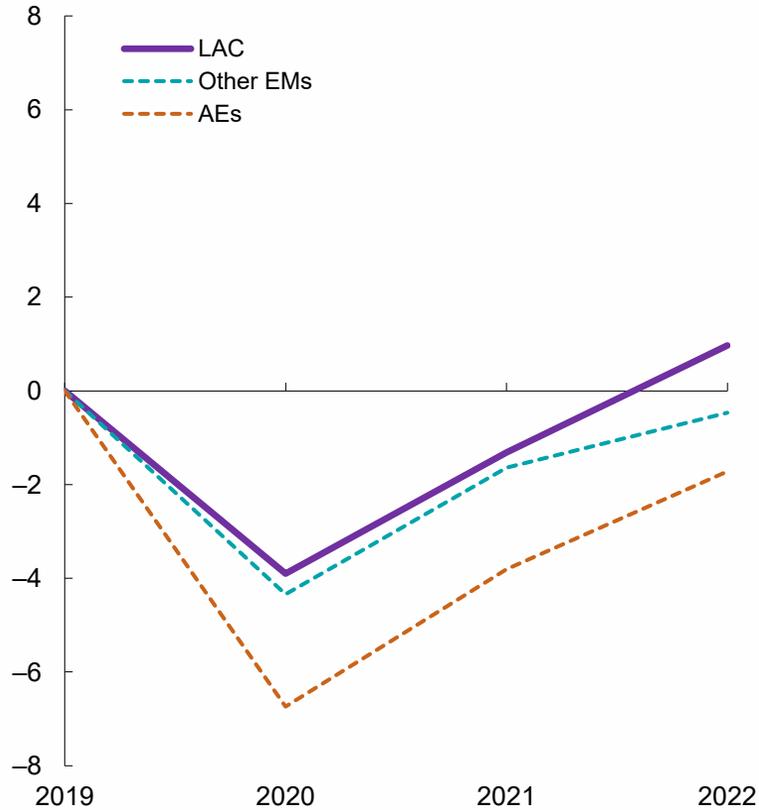
**OCTOBER 26-27, 2023**

**Gustavo Adler**

*Regional Studies Division – IMF WHD*

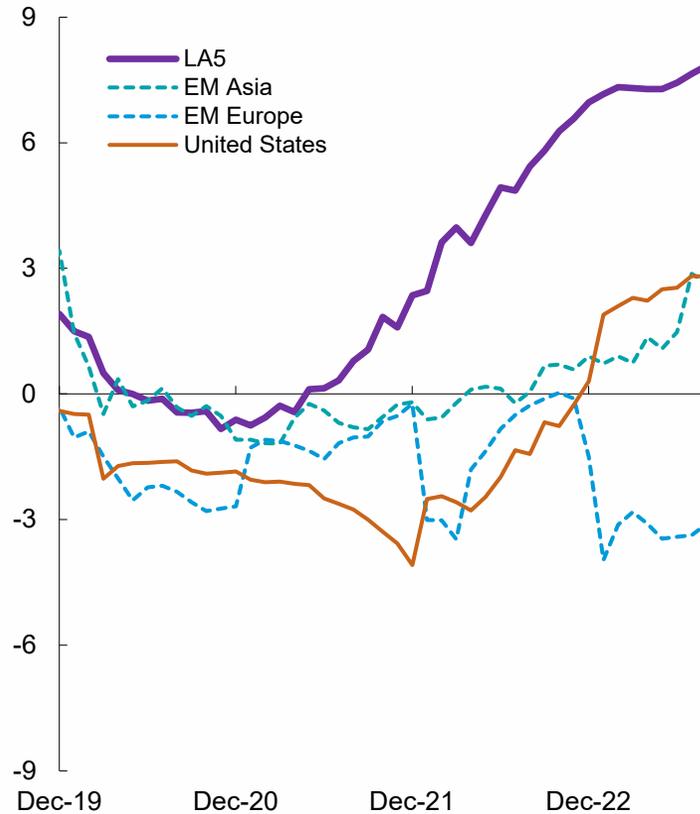
# Good macro policies and greater-than-expected resilience

**General Government Primary Balance**  
(Cumulative changes; pts of GDP)



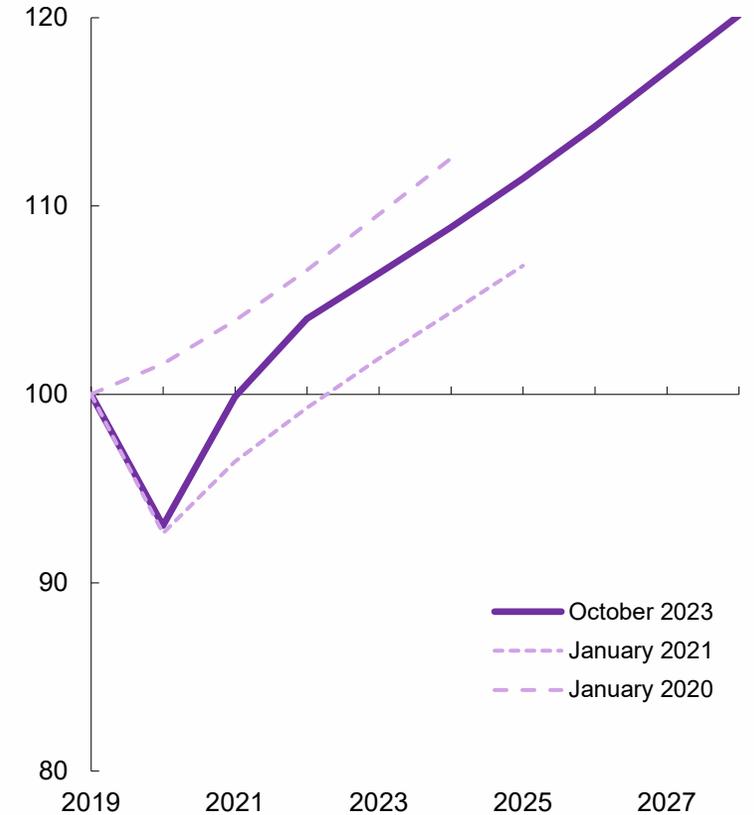
Source: [2023 Western Hemisphere Regional Economic Outlook](#).  
Note: AEs = advanced economies; LAC = Latin America and the Caribbean (excl. Argentina/Venezuela); Other EMs = emerging markets (excl. LAC/China).

**Real Monetary Policy Rates**  
(Percent)



Source: [2023 Western Hemisphere Regional Economic Outlook](#).  
Note: Ex ante real policy rate are reported. EM Asia = India, Indonesia, Malaysia, Philippines, Thailand, Vietnam; EM Europe = Hungary, Poland, Romania, Serbia; LA5 = Brazil, Chile, Colombia, Mexico, Peru.

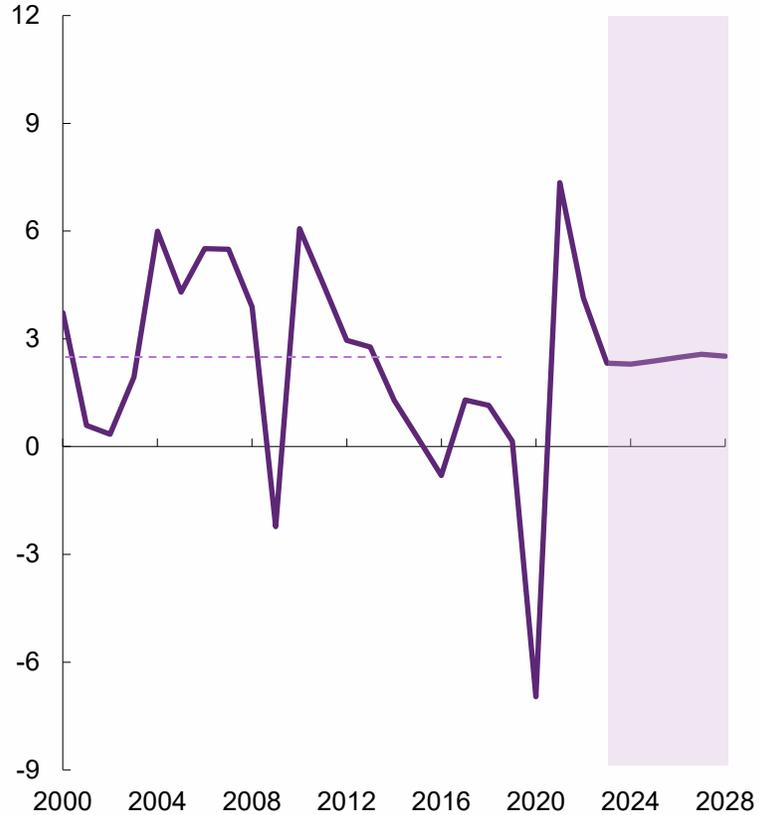
**LAC: Real GDP by WEO Vintage**  
(Index 2019=100)



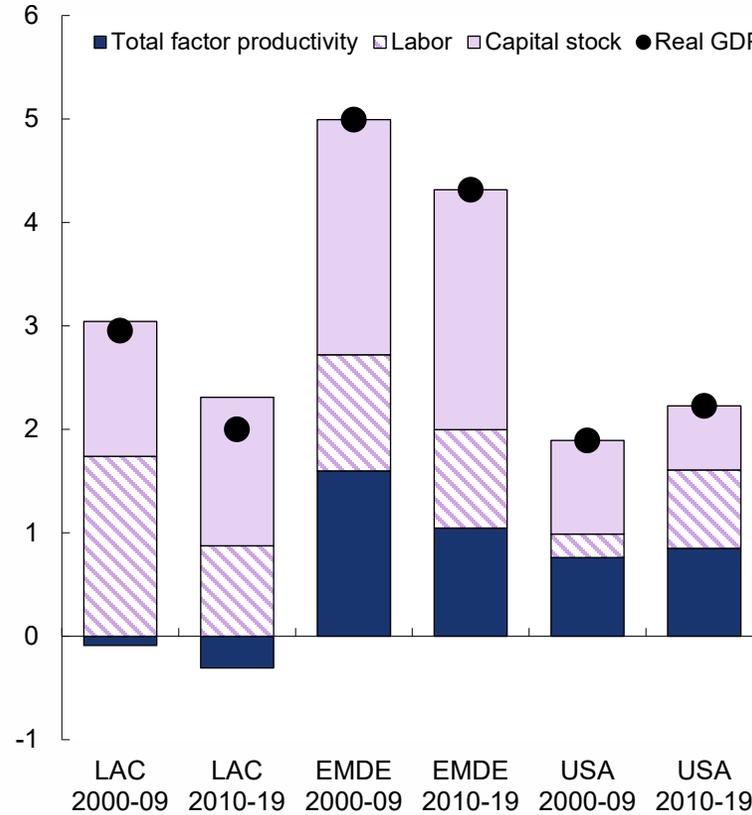
Source: [2023 Western Hemisphere Regional Economic Outlook](#).

# Subdued medium-term prospects

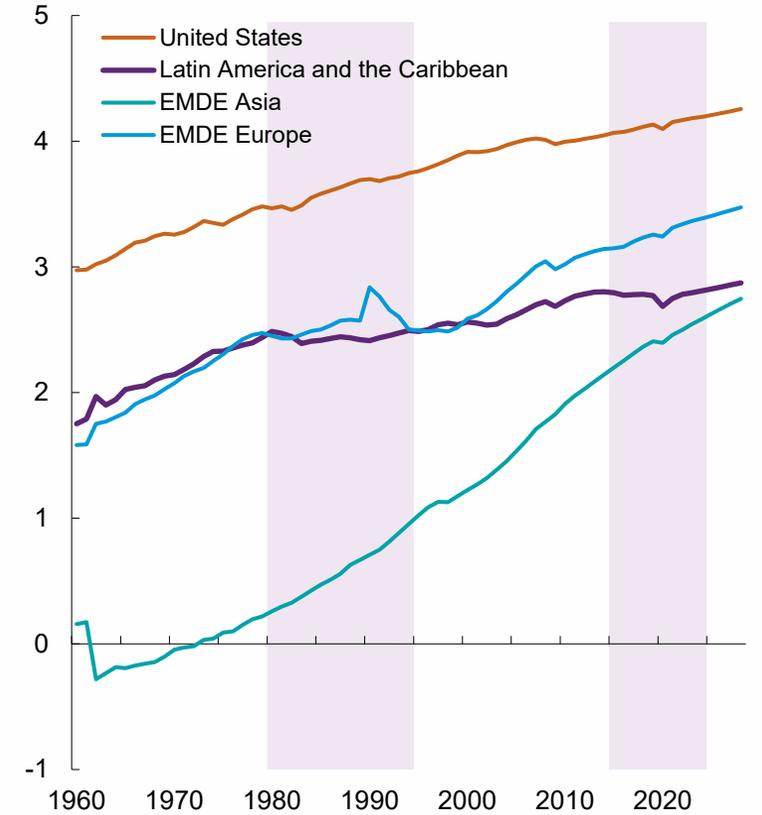
**LAC. Real GDP Growth**  
(Year-over-year percent change)



**Contributions of GDP Growth**  
(Percent of pre-pandemic projection)



**Real GDP per Capita**  
(Logs; thousands of PPP 2017 international dollars)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.  
Note: Aggregates are purchasing-power-parity GDP-weighted averages..

Sources: IMF, World Economic Outlook database; Penn World Tables 10.0; and IMF staff calculations.

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Note: EMDE = emerging market and developing economies;

# LAC's low productivity is a multi-faceted problem

- *Barriers to competition and capital reallocation*
  - *High entry costs*
  - *Barriers to exit*
- *Barriers to investment (capital-embodied tech innovation)*
  - *Distortive taxation*
  - *Cost of doing business (burdensome regulations)*
- *Labor market rigidities*
  - *Stringent labor market policies*
  - *Poor education outcomes*

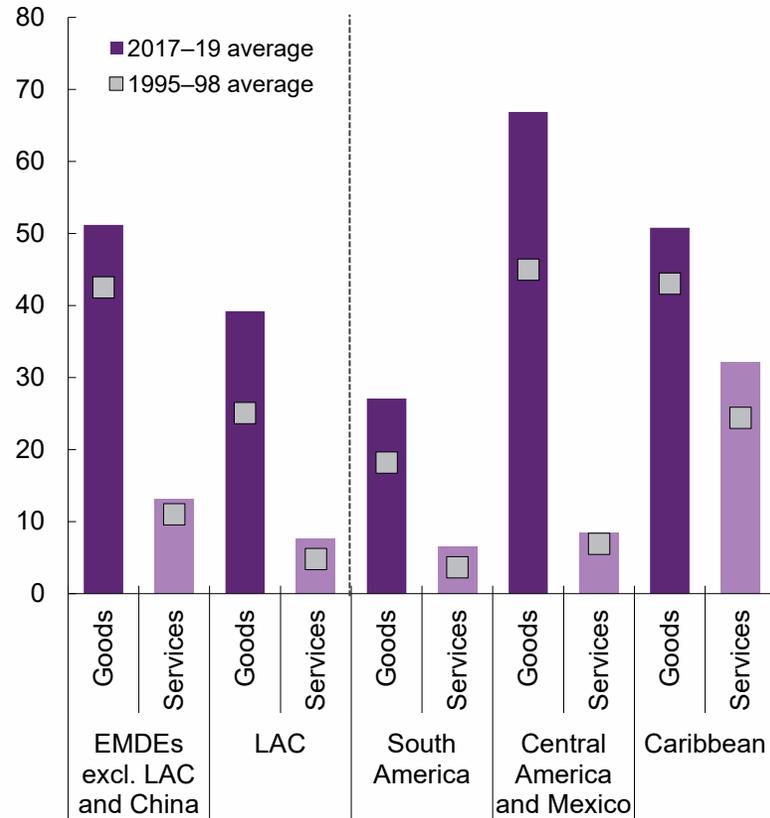
# LAC's low productivity is a multi-faceted problem

- *Barriers to competition and capital reallocation*
  - *High entry costs*
  - *Barriers to exit*
  - ***Low international trade***
- *Barriers to investment (capital-embodied tech innovation)*
  - *Distortive taxation*
  - *Cost of doing business (burdensome regulations)*
  - ***Insecurity***
- *Labor market rigidities*
  - *Stringent labor market policies*
  - *Poor education outcomes*
  - ***Informality + poor social protection***

# Trade integration

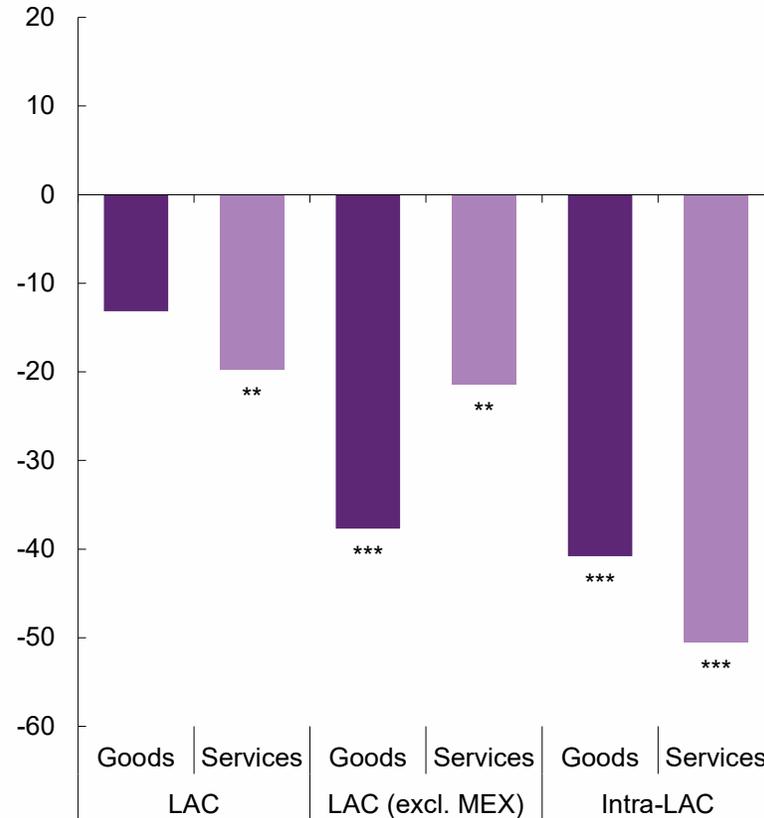
## Trade Openness over Time

(Total trade of goods and services; percent of GDP)



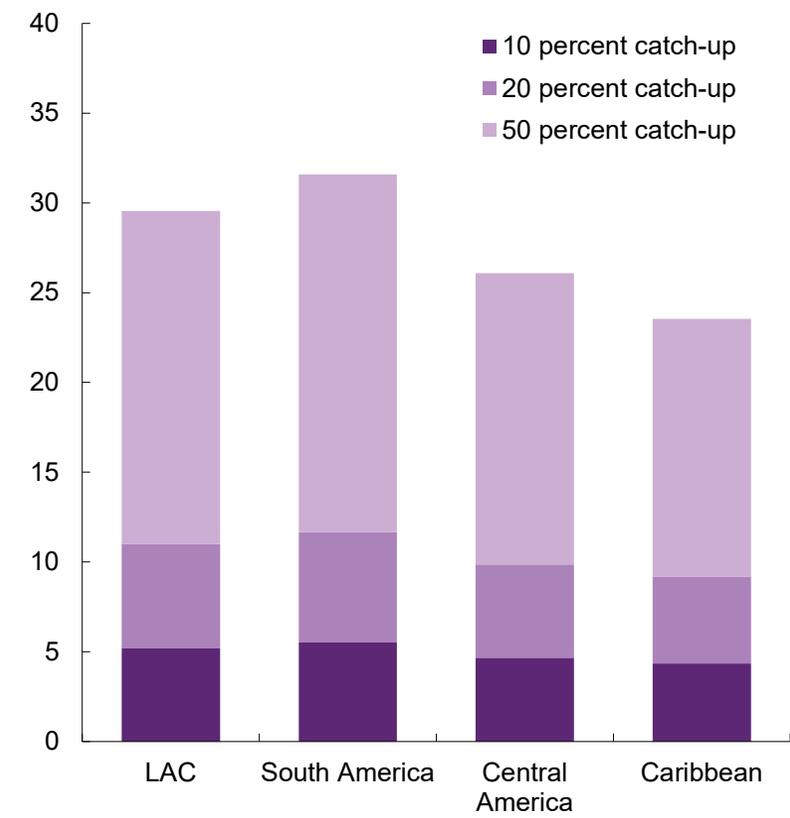
## LAC's Trade Performance

(Percent)



## Export Gains from Closing Infrastructure/ Logistics Gap with AEs

(Percent increase in exports)



Source: [2023 Western Hemisphere Regional Economic Outlook](#).  
Note: Includes intraregional trade.

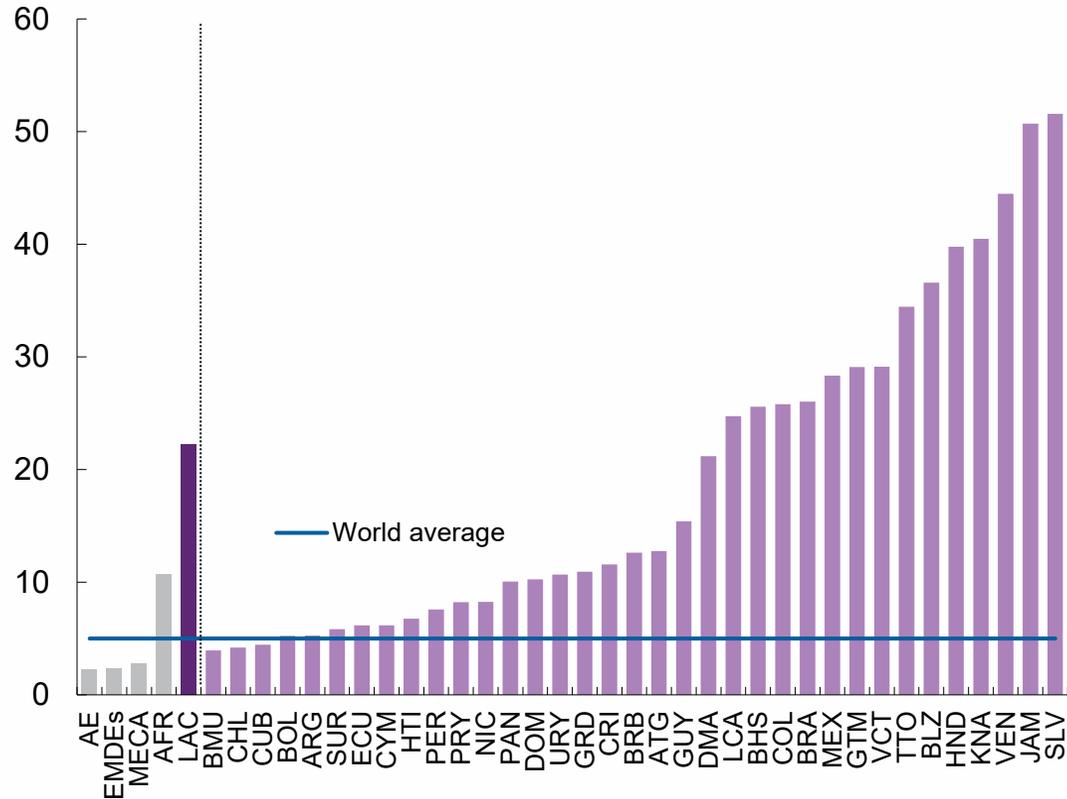
Sources: Bhattacharya and Pienknagura (2023).  
Notes: Percent difference in trade flows in LAC versus non-LAC regions, conditional on population, GDP, distance, border, common language and landlocked: \*\*\*p<1%, \*\*p<5%, \*p<10%. LAC = Latin America and the Caribbean.

Source: [2023 Western Hemisphere Regional Economic Outlook](#).  
Note: CA = Central America; CAR = Caribbean; LAC = Latin America and the Caribbean; SA = South America.

# Insecurity and crime

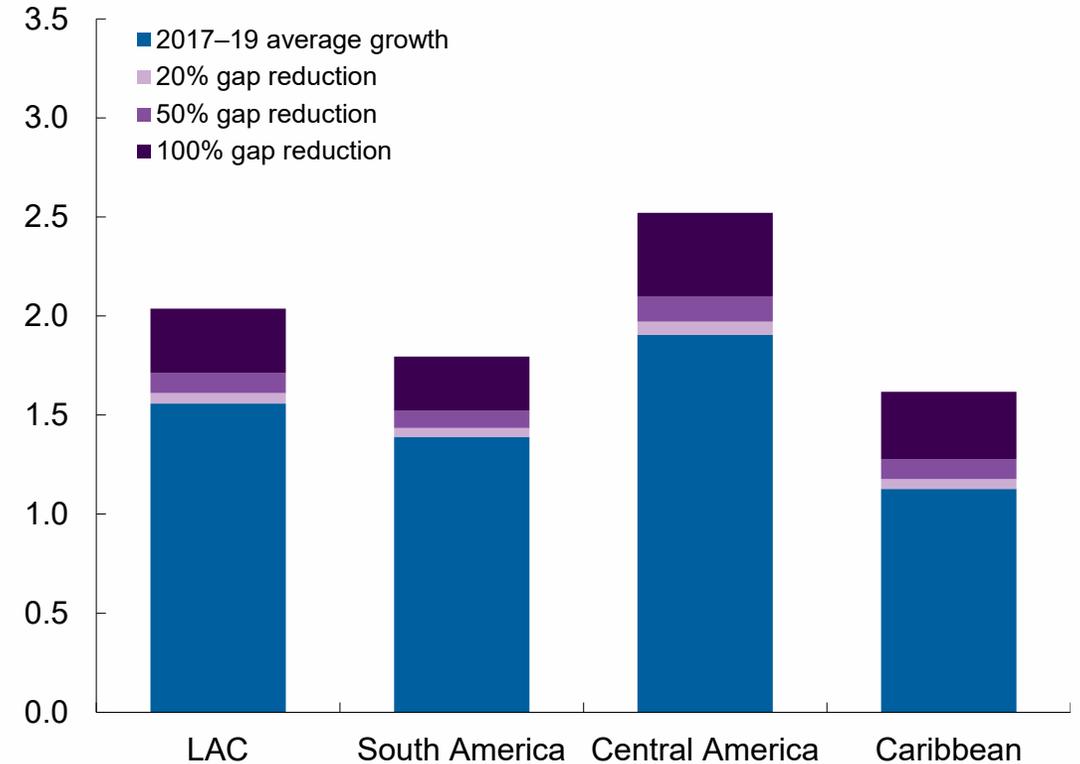
## Crime across Regions/Countries

(Homicide rate per 100,000 people; 2017–19 average)



## Gains from Closing the Region's Security Gaps

(Percentage points of GDP growth)



Source: [2023 Western Hemisphere Regional Economic Outlook](#).

Note: LAC = Latin America and the Caribbean; AE = advanced economies, AFR = North and Sub-Saharan Africa; EMDEs = Asian and European emerging markets and developing economies, MECA = Middle East and Central Asia.

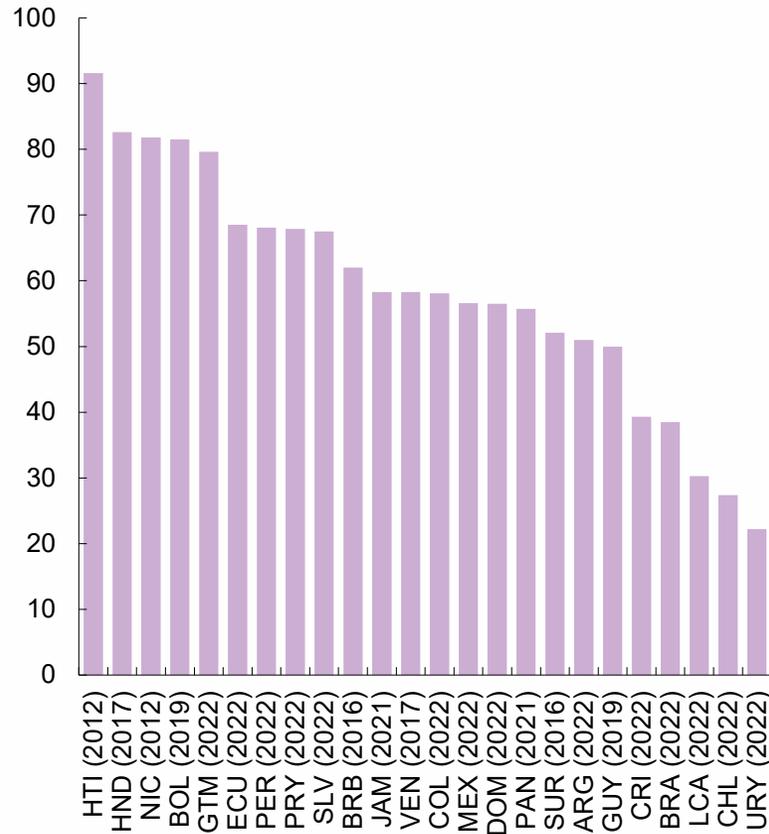
Source: [2023 Western Hemisphere Regional Economic Outlook](#).

Note: Estimates of the impact on GDP growth from reducing the gap in crime rates relative to the world (by 20, 50 and 100 percent) are reported.

# Informality and social protection

## Informal Employment

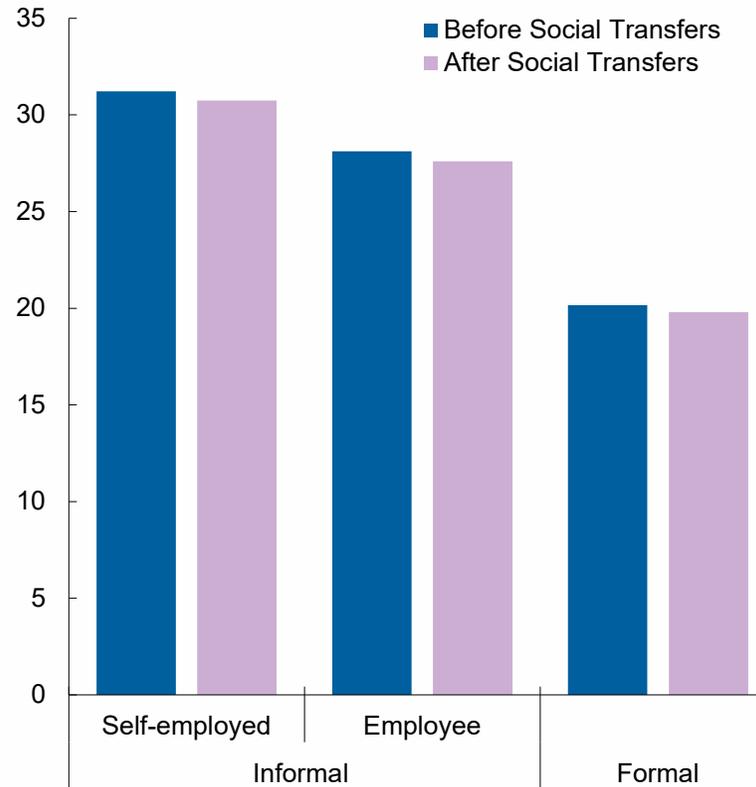
(Percent of total employment; latest available)



Source: ILOSTAT.

## Fraction of Workers with Large Income Losses: Before and After Social Transfers

(Percent of each group)

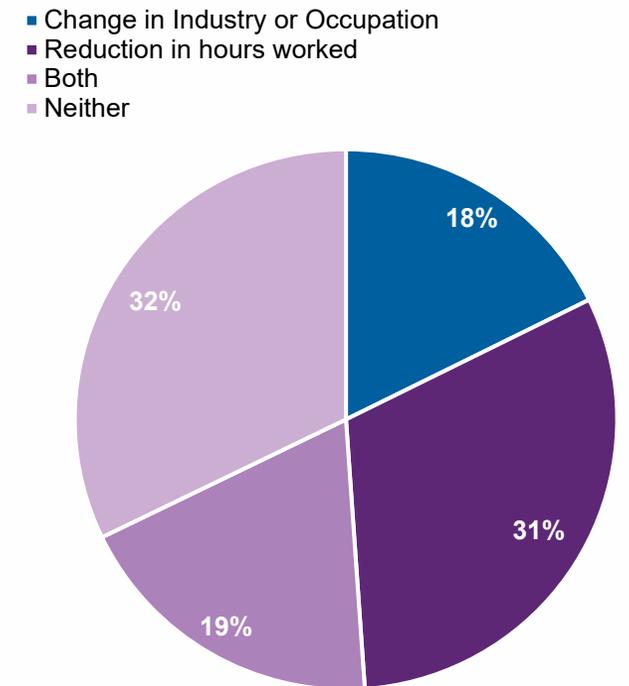


Sources: [2023 Western Hemisphere Regional Economic Outlook](#).

Note: Large income losses defined as changes in real income greater than 25 percent. Aggregates are 2019 purchasing-power-parity GDP weighted average for LA4\* (Argentina, Brazil, Chile, and Peru).

## Employment Changes of Workers Experiencing Large Income Losses

(Percent)



Sources: [2023 Western Hemisphere Regional Economic Outlook](#).

Note: Employment conditions of workers with large income losses who remain employed..

# Takeaways

- ❑ Boosting productivity requires addressing long-standing structural challenges
  - Reducing burdensome regulation
  - Strengthening resolution frameworks
  - Improving taxation frameworks
  - Enhancing the quality of education
  - Facilitating labor market flexibility
  
- ❑ Potentially large gains from greater **trade integration**, strengthening **domestic security**, and stronger **social protection** mechanisms

• **Thank you**