



**WESTERN HEMISPHERE
DEPARTMENT**

Boosting Productivity in Latin America and the Caribbean

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

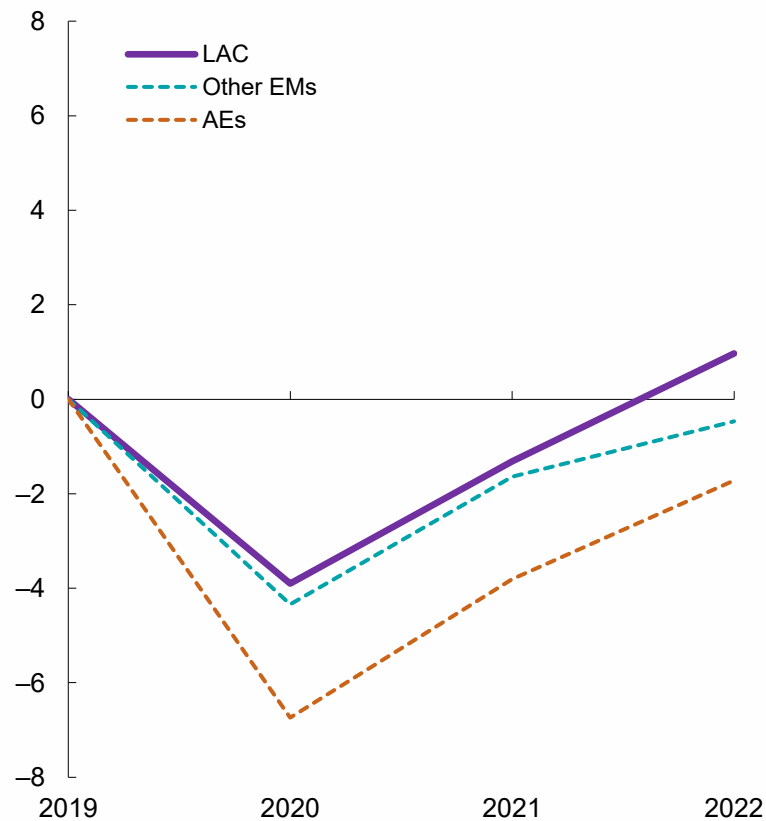
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Gustavo Adler

Regional Studies Division – IMF WHD

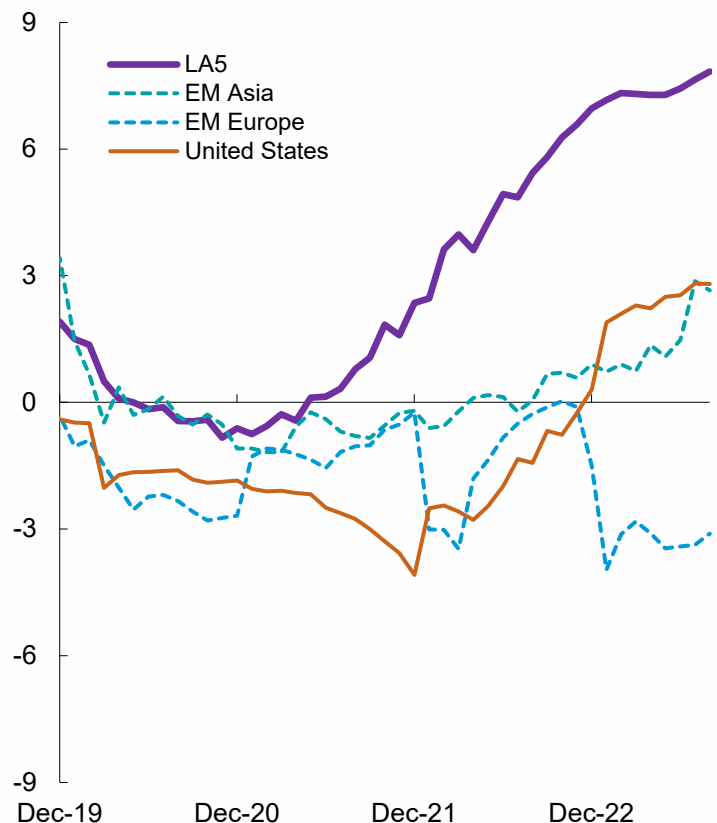
Good macro policies and greater-than-expected resilience

General Government Primary Balance
(Cumulative changes; ppts of GDP)



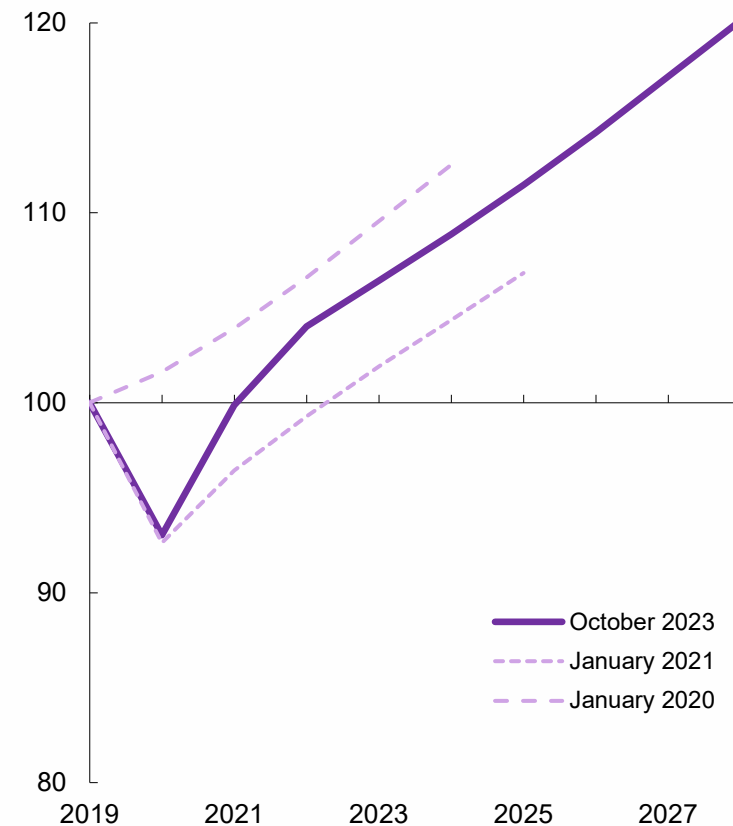
Source: [2023 Western Hemisphere Regional Economic Outlook](#).
Note: AEs = advanced economies; LAC = Latin America and the Caribbean (excl. Argentina/Venezuela); Other EMs = emerging markets (excl. LAC/China).

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.

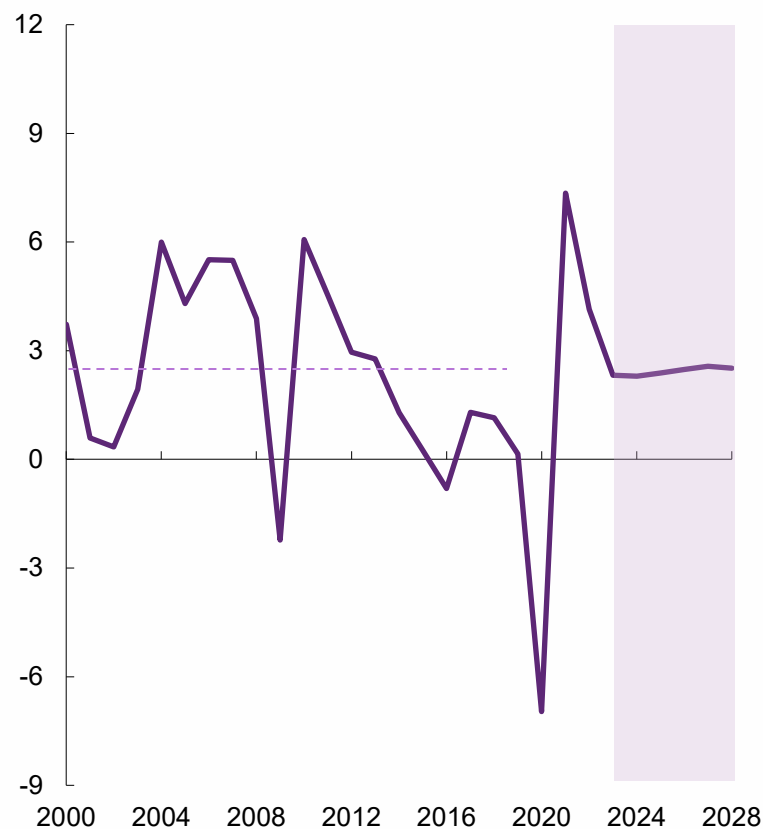
LAC: Real GDP by WEO Vintage
(Index 2019=100)



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

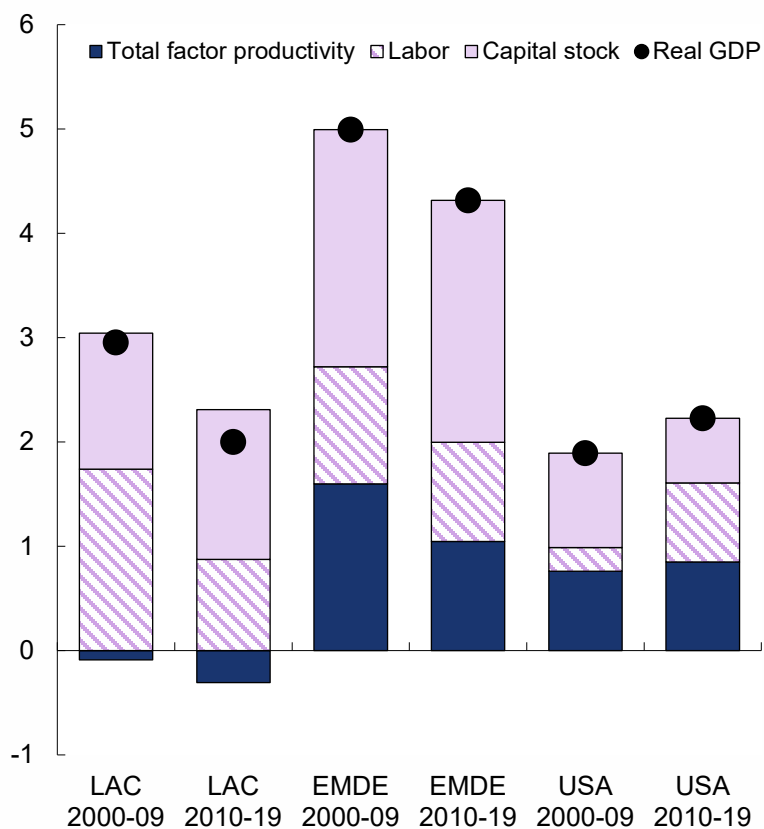
Subdued medium-term prospects

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



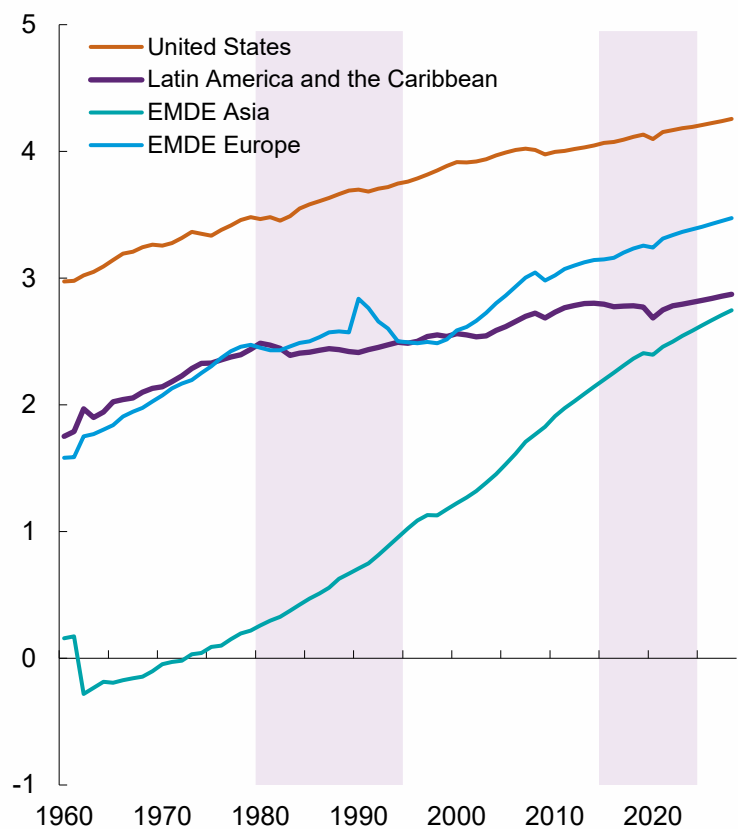
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages..

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



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

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



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
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*

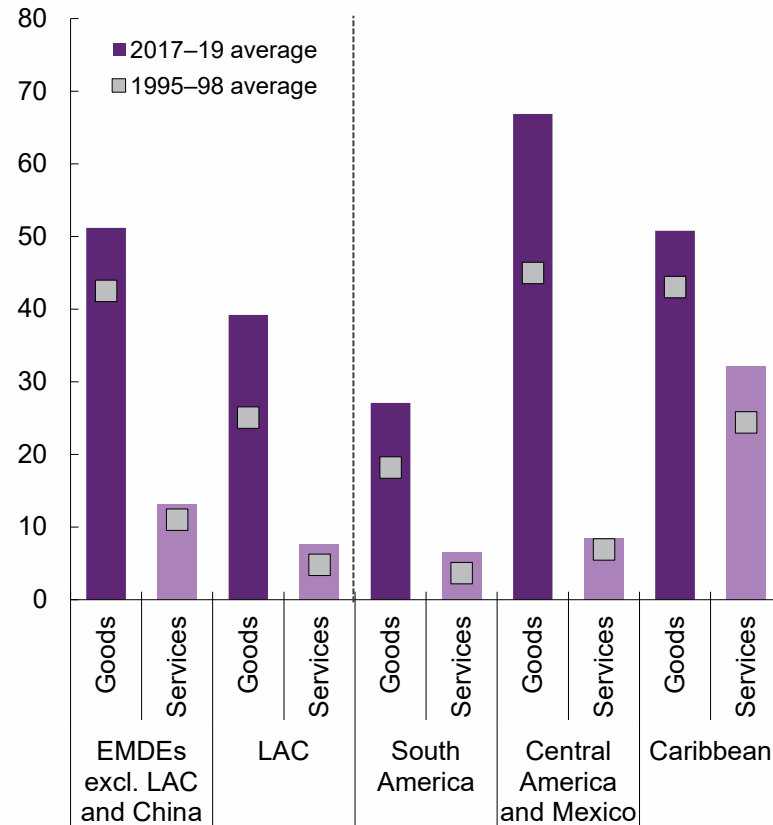
LAC's low productivity is a multi-faceted problem

- *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

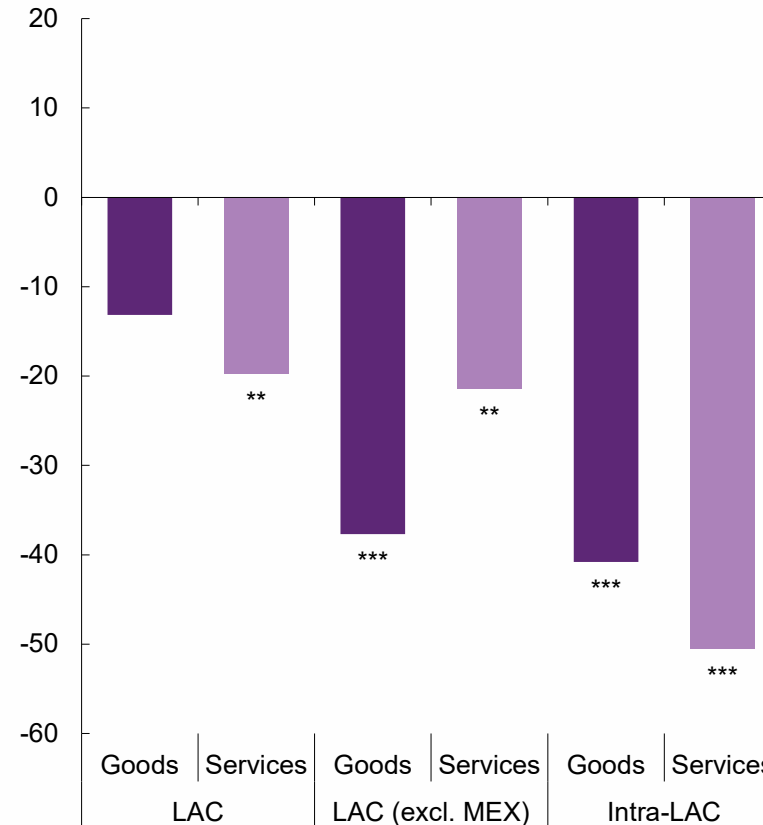
(Total trade of goods and services; percent of GDP)



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

LAC's Trade Performance

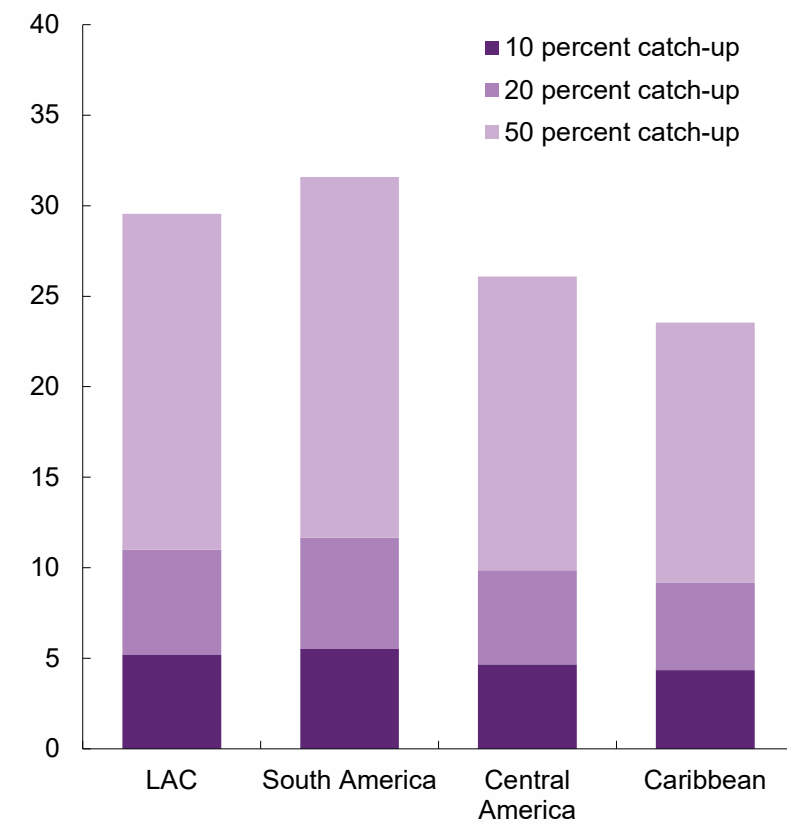
(Percent)



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.

Export Gains from Closing Infrastructure/Logistics Gap with AEs

(Percent increase in exports)

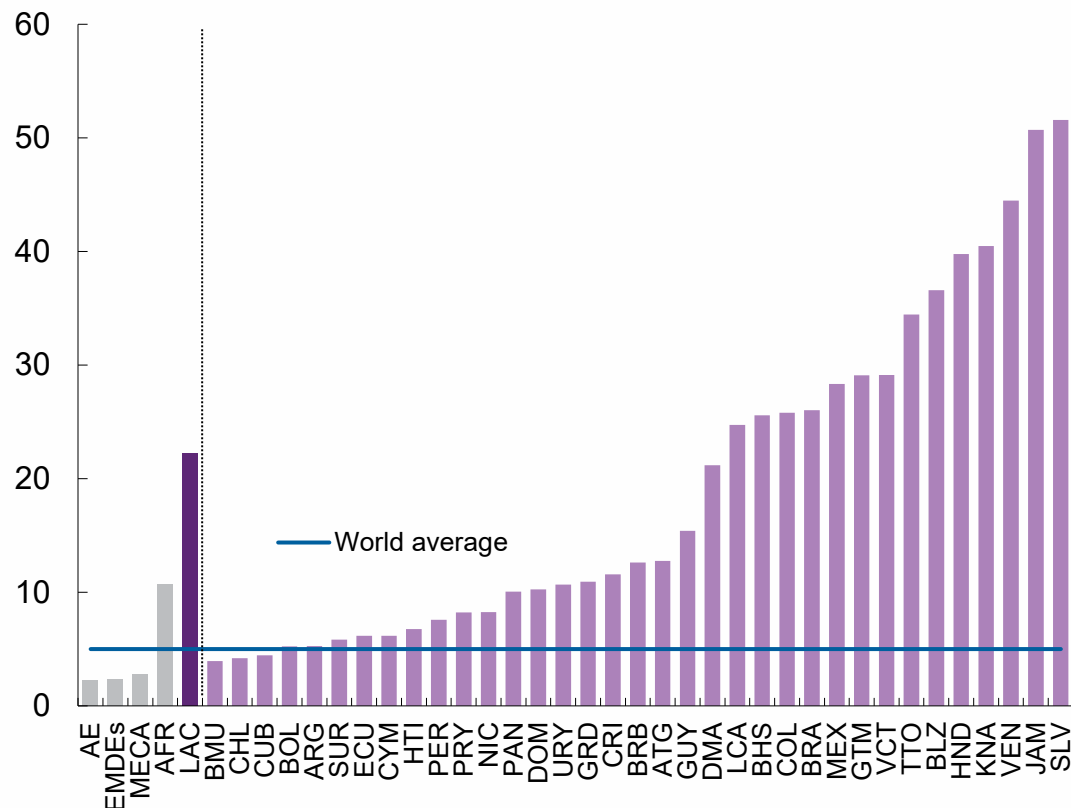


Source: [2023 Western Hemisphere Regional Economic Outlook](#).
Note: CA = Central America; CAR = Caribbean; LAC = Latin America and the Caribbean; SA = South America.

Insecurity and crime

Crime across Regions/Countries

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

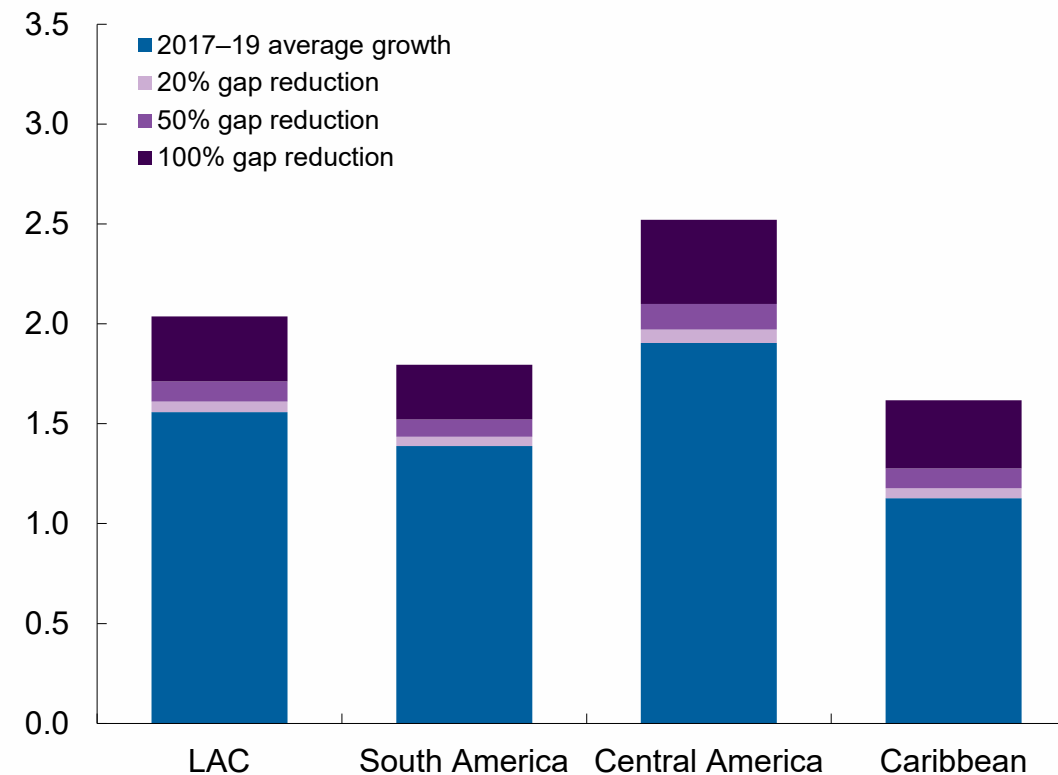


Source: [2023 Western Hemisphere Regional Economic Outlook](#).

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.

Gains from Closing the Region's Security Gaps

(Percentage points of GDP growth)

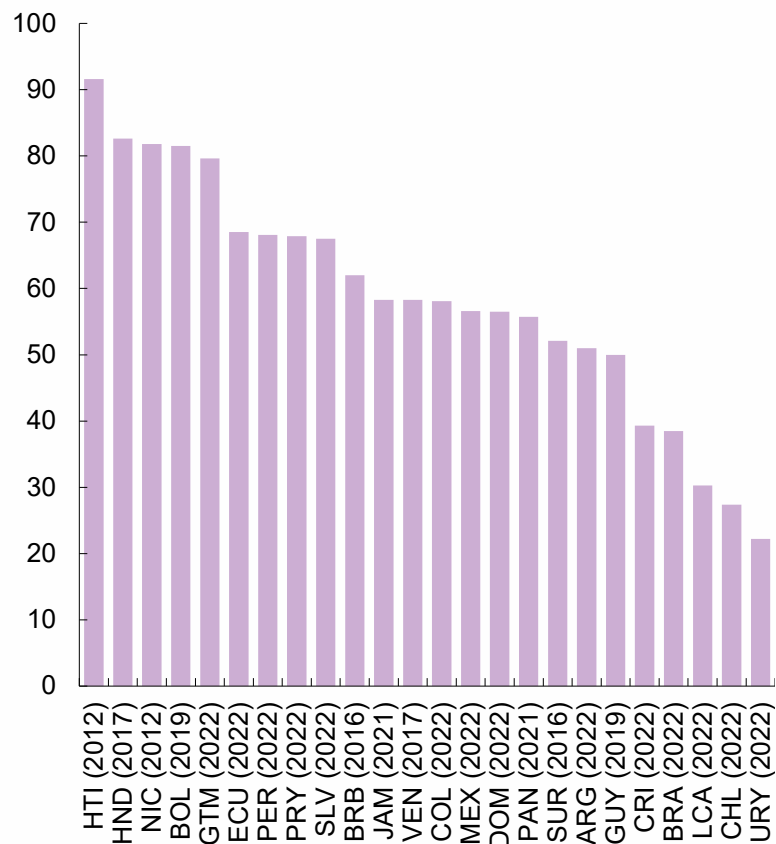


Source: [2023 Western Hemisphere Regional Economic Outlook](#).

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.

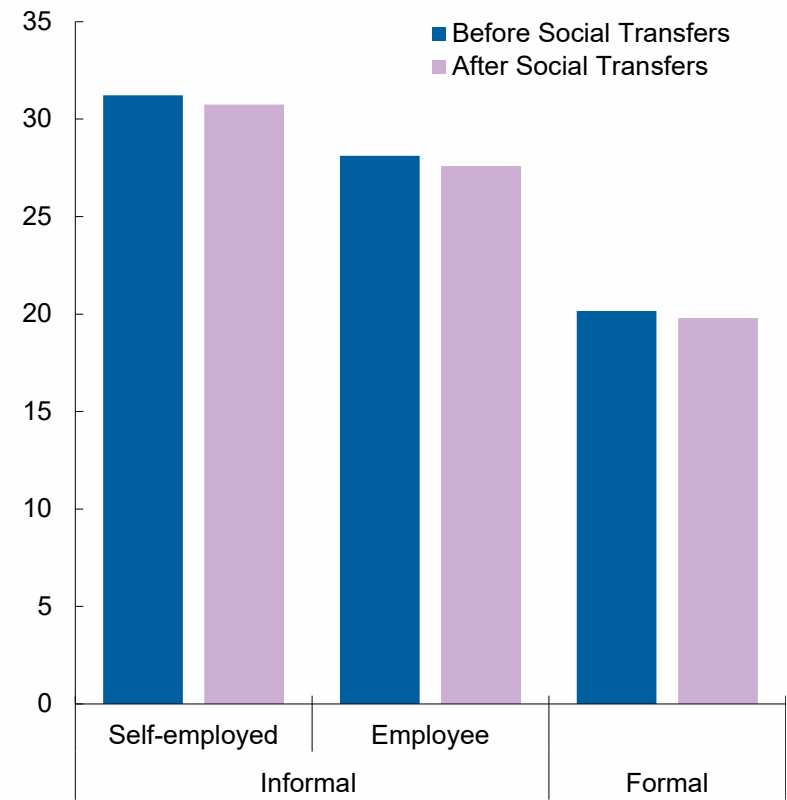
Informality and social protection

Informal Employment
(Percent of total employment; latest available)



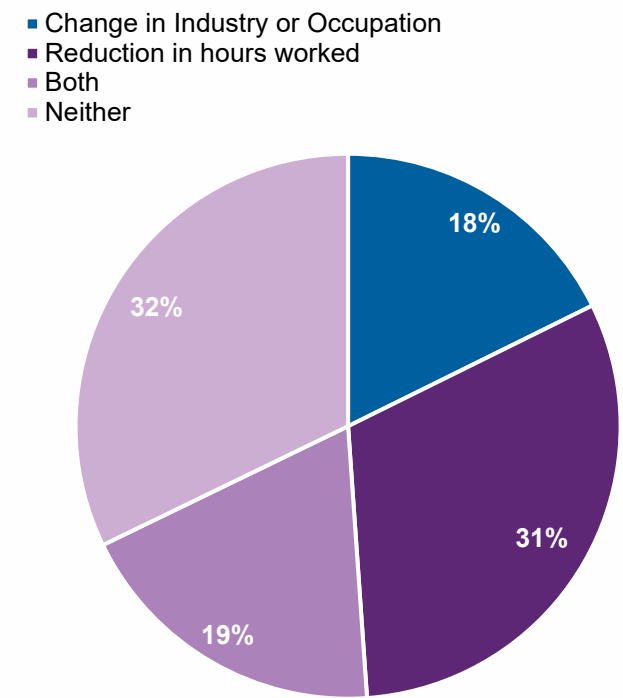
Source: ILOSTAT.

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**