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Growth and Development of the main Economies of Latin America in last years (2015-2017)

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ABSTRACT

The purpose of this work is to know the background of the last three years of the most developed Latin American economies, as well as to identify the main factors that have led to its growth and development through the analysis of its Gross Domestic Product, which is one of the most important indicators used to measure the growth of economies.

Keywords: GDP, per capita income, growth and economic development, foreign trade (imports and exports).

I. Introduction

Currently the economic turbulences worldwide affect the deterioration of the most sensitive economies, being those of Latin America one of the most affected, due to the protectionist policies of their governments, so much so, that the growth for this area of the continent is almost null, impacting on the low level of life of the population, since in the last three years it has been seen that the growth measured directly with the GDP (Gross Domestic Product), which is the economic indicator that measures the total production of goods and services of a country in a year, and which is often used to measure the wealth of a country and per capita income that is a calculation that is made to determine the income received, on average, by each of the inhabitants of a country, i.e, on average, the amount of income a person receives to survive, along with internal market policies dictated by local governments, leaving aside the policies of expansion that promotes free market. Nowadays, all economies have to participate and interact with the world's economies, as globalization requires, where the consumption of the economies is not only internal, but seeks new ways of doing business with the outside world to reduce the slopes that commercial exchange produces between all countries worldwide, that is why the importance of knowing and analyzing the main factors that promote growth and development for these major economies of Latin America (Brazil, Mexico and Chile, etc.), which are major exporters of raw materials and due to their low cost, are held back by zero growth, sustainable and inclusive because of weak domestic demand.

II. ANALYSIS OF DATA

II.1. Data analysis 2015

The International Monetary Fund (IMF) has published its "economic movements" report for Latin America in which it analyzes the projection of its economies. In this study, the national productions of each country and its growth forecasts for 2015 were analyzed, where a deceleration occurred. According to estimates, it was the fifth consecutive year that the region's economic growth has declined. Overall, the Gross Domestic Product (GDP) expanded below 1%, which is a very poor result for an emerging block which years ago was among the most booming globally.

Beyond the global data, Latin America is increasingly a more heterogeneous area. The region remains particularly vulnerable to a larger slowdown than expected in China, which is one of the most important trading partners for the region, as seen in the IMF's predictions, "where growth trends are projected among the economies that are financially integrated by the IMF. Brazil, Chile, Colombia, Mexico, Peru and Uruguay diverge in the future, reflecting different exposures to the international markets of raw materials and other factors specific to each country", the report states.

According to the report, there was a poor increase in Latin American joint production of nine tenths in 2015, less than the 1.3% in 2014. However, it must keep in mind that the aggregate data is crowded by the economy more big that is Brazil of Latin America, and that the economic projections that had been estimated by the IMF economists were fulfilled, since that country suffered a recession this year, with a GDP drop of 1%. Economists' demands to liberalize the economy, open up to international trade beyond Mercosur (Common Market of the South) [2], rationalize the public sector and ward off the ghosts of corruption, have only translated into timid measures without a large impact so far.

As Brazil went through its worst moment in two decades (in terms of growth) at the end of 2014, the Brazilian economy reported a GDP of 2.353 billion dollars, doubling in magnitude to that of Mexico, the second on the list with a GDP of more than 1282.7 million dollars, double that of Argentina, since the northern country was in a scenario of greater bonanza. The American recovery has always supported the southern neighbor because of its commercial connection, which made Mexico grow by 3% in 2015 [1].

Mexico's neighbor in the Pacific Alliance [3], Chile, "faced difficulties related to the decrease in export prices of raw materials and the consequent drop in corporate investment." However, "the solid macroeconomic fundamentals provided an important margin of maneuver for the application of policies", explains the study of the institution. The economic recovery in Mexico is strengthening, supported by the demand for manufactures by the United States and the depreciation of the currency.

The strengthening of exports has made possible to accelerate the rebound, while investment has begun to recover the lost field. Despite the lower price of oil, new tenders are generating considerable interest after recent reforms in the energy sector. Extensive reforms in competition, energy and market regulation have helped boost confidence, while monetary policy has continued to support growth [2].

Argentina: the southern economy remains among the largest in the region despite the financial turbulence that has submerged the growth and development throughout the economic countries.

As for Chile, thanks to the growth it has experienced in recent years, Chile's economy has been one of the most stable. According to the estimates of the OECD (Organization for Economic Cooperation and Development), Chile remains the most competitive economy in Latin America, followed by Panama, Costa Rica, Mexico and Colombia [3].

The five biggest economies in Latin America in 2015, shown in Fig. 1. Where it is clear that Brazil is the leader in all of Latin America, despite the recession in which it was submerged (-3.8%), demanding greater openness to international trade. Mexico, the northern country, has strengthened with the US recovery, thanks to the increase in exports, investments and recent reforms in the energy sector (2.6%). Argentina despite the financial turbulence (deceleration and contraction of economic activity) that has lived remains among the largest economies in the region (2.6%). Regarding Colombia as the fourth best economy grew (3.1%), this was possible due to the good behavior of the financial sector, consumption and domestic trade and as for the Andean country Chile, it has been the most stable economy according to the growth that it has had in recent years [4].

Ranking	Economy (2015)	Variation in%	(millions of U.S. dollars)
9	Brazil	- 3.8	3,198.9
15	Mexico	2.6	2,230.1
22	Argentina	2.6	884.2
37	Colombia	3.1	667.0
43	Chile	2.3	423.3

Fig. 1 Biggest economies in Latin America 2015

http://data.worldbank.org/data-catalog/world-development-indicators (World Development Indicators database, World Bank, 15 December 2015).

II.2 Data analysis 2016

The figure of economic growth in Latin America in 2016 was the third worst in 30 years, because of the contraction of 1.7% after having stagnated in 2015 at a rate of 2.4%. The growth was slowed by weak domestic demand and lower prices for raw materials, as well as fiscal and external adjustments in some countries and other specific national factors.

The countries of the region must focus on protecting themselves against downside risks, and at the same time seek strong, sustainable and inclusive growth, because of greater uncertainty regarding global policies but a low level of level of volatility in the market, "said by Alejandro Werner, Director of the IMF's Western Hemisphere Department.

This negative rate of GDP growth represents the continuation of the process of deceleration and contraction of the economic activity in which the region has been immersed since 2011. The decline in the dynamism of the region's economic activity in 2016 is mainly due to the lower growth of the region most of the South American economies and the contraction of some of them, such as Argentina (-2.2%) and Brazil (-3.6%). The economic activity in South America as a subregion went from a contraction of 1.7% in 2015 to a 2.4% in 2016, similar to what happened in Mexico, where the growth rate decreased five tenths, from 2.5% registered in 2015 to 2.3% in 2016.

For the IMF, Colombia closed in 2016 with growth of 2.0% and Chile with 1.6%, both continue with a relatively orderly adjustment process, where the combination of economic policies (large depreciations of the exchange rate, gradual fiscal consolidation and monetary policies according to the scenario that is lived) has avoided an economic contraction. The foundations for growth remain firm, including solid financial policy and market frameworks, credible institutions and favorable external borrowing costs [5].
As shown in Figure 2, it is clear that globally by GDP, the best placed countries are Brazil and Mexico, in places 9 and 15, followed by Argentina, Colombia and Chile, in positions 21, 41 and 43 respectively, where in this area it is led by the United States and China, which considerably outstrips its closest followers such as Japan and Germany.

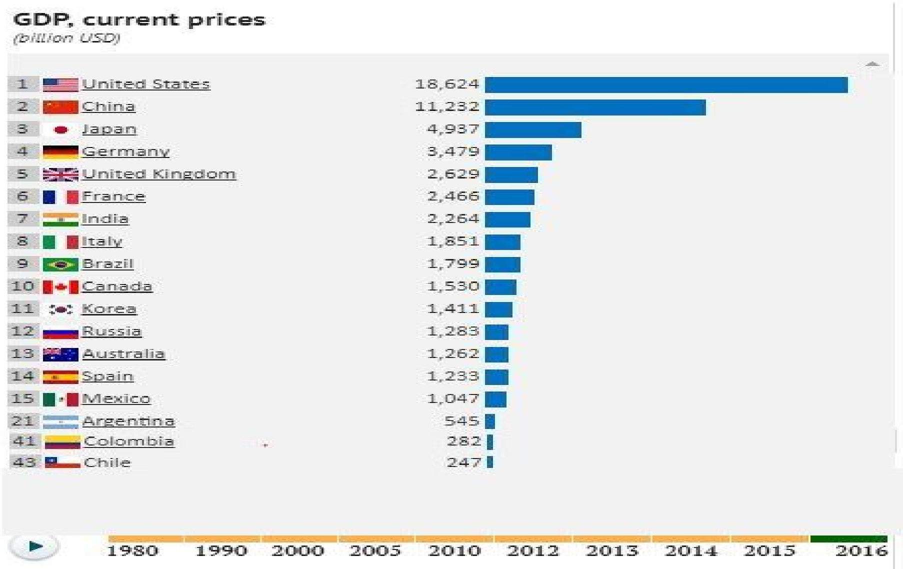

Fig. 2 Best placed countries and Latin America according to their GDP.

Source: https: //knoema.com/tlcnrcg/gdp-by-country-world-largest-economies-2016? Origin = knoema.es & _ga = 2.42042342.276135385.1518051688-9192322.1518051688

According to figure 3, the important differences between countries of the zone are clearly seen, according to the growth in their GDP, the most affected countries were Brazil and Argentina, which are the main economies with the highest red numbers, the first has had considerable problems from 2014 to 2016 where it has come from more to less and Argentina in that same period has experienced significant fluctuations to the upward and downward, and the least affected countries were Mexico, Colombia and Chile, although they have not presented figures Reds are maintained with a minimum growth of almost 1% in the same period [6].

REAL GDP GROWTH	AVERAGE 2002-2011	2012	2013	2014	2015	2016	RANKING
PERCENTAGE							2016
BRAZIL	3.9	1.8	2.7	0.2	-3.8	-3.6	9
MEXICO	2.3	3.8	1.7	2.1	2.6	2.3	15
ARGENTINA	5.4	0.8	2.9	0.5	2.6	-2.2	21
COLOMBIA	4.6	4.0	4.9	4.6	3.1	2.0	41
CHILE	4.3	5.5	4.3	1.8	2.3	1.6	43

Fig. 3 Comparison of the main economies of Latin America, according to their GDP

Source: IMF, WEO report database and calculations and projections by IMF technical staff

II.3 Data Analysis 2017

According to the information on the work of the World Bank in Latin America, the macroeconomic data confirm that 2017 "was a year of inflection for the Latin American economies after five years of slowdown in the region".

Brazil, the main South American economy, grew by only 0.4%, the country of northern Mexico 2.2%, Colombia 2.1% while Chile by 1.4% and Argentina 1.1% add the study. The economy of Latin America grew 1.1% this year, three tenths more than expected.

According to the international organization, the prospects were more positive for countries such as Argentina due to the change in the administration of government and weakening of reforms that promoted internal approaches, Brazil with its change of its internal consumption policy to expansion of the foreign market (free market) and Mexico for its successful results in the opening of energy reforms for foreign investment [7].

As shown in figure 4, globally according to GDP in 2017 (purchasing power parity) Brazil climbed a place to be placed in the 9th, Mexico rose four places when placed in the 11th place, Argentina stepped from place 28 to 21, as far as Colombia was positioned in place 31 compared to the one that occupied a previous year and Chile only escalated a place being in place 44, all this compared with the year 2016.

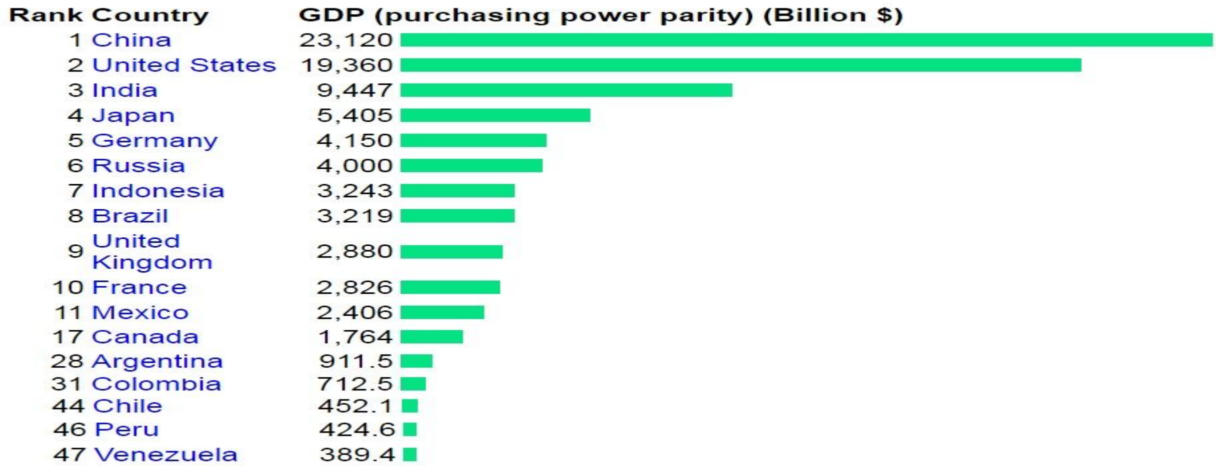

Fig. 4 World GDP and the best countries in Latin America (purchasing power parity in billons dollars) Source: CIA World Factbook - Unless otherwise noted, information in this page is accurate as of January 1, 2018.

According to figure 4, it is clear in Fig. 5 how the GDP growth of the five most developed countries in Latin America was presented with growth in Mexico and Colombia, which were the most prosperous economies in the region year 2017.

Countries	Growth in % of GDP 2017
Mexico	2.2
Colombia	2.1
Chile	1.4
Argentina	1.1
Brazil	0.4

Fig. 5 Growth of GDP 2017
Source: ECLAC (December 2017)

The report shows lower inflation in South American countries, especially in Brazil and Chile, which allows a continuation of interest rate cuts in South America, and a similar situation in Mexico.

The definition of a path towards a greater, sustainable and more equitable growth will also require internal reforms, which vary from one country to another but consist in closing the infrastructure gaps; improve the business climate; government management; promote the participation of women in the labor force in order to stimulate growth in the medium term and promote the convergence of income levels [7].

III. RESULTS

According to the analysis made on the basis of GDP for the years 2015-2017 of the main economies of Latin America and taking into account the economic background that has prevailed in the region, some of the main factors that influenced the poor growth of the region were identified. region and that are listed below according to the degree of incidence and importance:

I. Solid macroeconomic fundamentals.

II. Strengthening of exports and investment.

III. Competitive reforms, energy and market regulation.

IV. Solid financial markets and policies, credible institutions and favorable external debt costs.

V. Diversification of its market, not only internal but also external, that promotes free trade (exposures to the international markets of raw materials).

VI. Continuity of cuts in interest rates.

VII. Maintain lower inflation.

VIII. Improve the business climate and governance.

IV. CONCLUSIONS

According to the analysis made on the basis of the GDP of the main economies of Latin America and taking into account the economic scenario that has prevailed in Latin America, it can be concluded that the best way forward is a clear definition of macroeconomic policies and reforms that directly affect unprotected economic fields to be reinforcements in terms of efficiency, equity and sustainability, promoting exchanges in trade with the rest of the world. diversifying each time its markets towards other areas where it is necessary to cover certain needs, combining them with internal policies of fiscal recomposition, with healthy current accounts and with competitive exchange rates, supported by the implementation of schemes with inflationary goals and with an adequate accumulation of reserves international organizations that strengthen their economic structures at all levels of government. In addition to all of the above, reforms are also demanded in labor markets, education, as well as increases in infrastructure through investment, which has an impact on improving competitiveness and entrepreneurship, through innovation through the incorporation of technology and thus, diversify the competitive structure with the support of an efficient fiscal policy.

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