

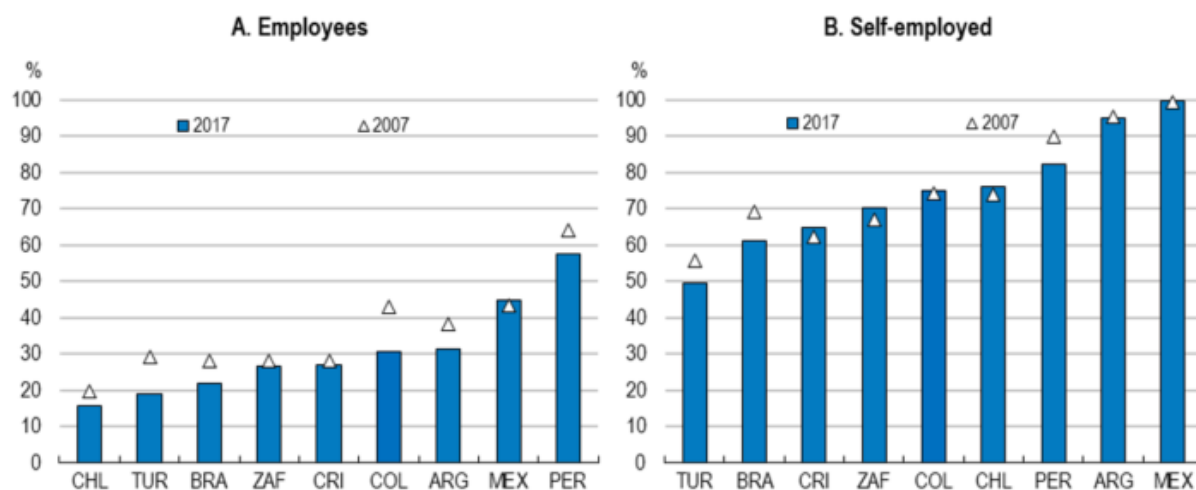
# **Informality and weak competition – a deadly cocktail for growth and equity in emerging Latin America**

By Piritta Sorsa, Jens Arnold and Paula Garda, OECD Economics Department

**Why is growth persistently low and so unevenly distributed in emerging Latin America** compared to emerging Asia despite a huge potential? Potential growth is ranging around 2-3% in the region. Some refer to dependence on commodities, poor education, weak business environments or corruption as possible causes. But the question is deeper and more complex. A crucial factor for Latin America is low productivity, often related to a poor use of available resources. Across the region, many workers and significant amounts of capital are stuck in activities that are not efficient. The reasons for this are many, but two important forces stand out: high informality and weak competition.

**Figure 1. Persistently high levels of informality characterise the LAC region**

Informal workers in each category as % of employment



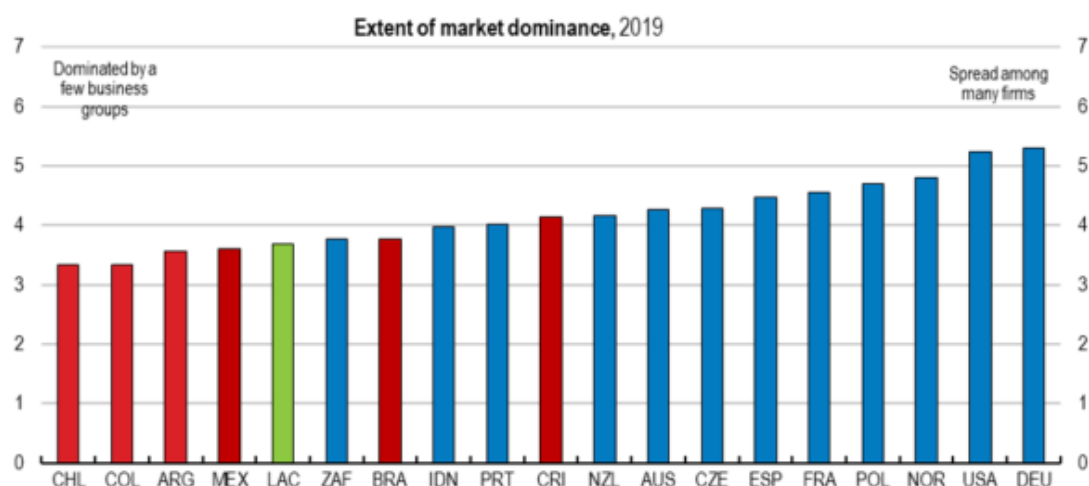
Note: Informality is defined to include: i) employees who do not pay health contributions; and ii) self-employed who do not pay social security contributions (Brazil, Chile and Turkey), or whose business is not registered (Argentina, Colombia, Costa Rica, Mexico, Peru and South Africa). Data for Turkey refer to persons aged 15 and more. Data for Argentina refer to selected urban areas (according to the National Statistical Authority (INDEC), LFS series published after the first quarter of 2007 and until the fourth quarter of 2015 must be considered with caution).

Source: OECD calculations based on the EPH for Argentina, the PNAD for Brazil, the CASEN for Chile, the GEIH for Colombia, the ECE for Costa Rica, the ENOE for Mexico, the ENAHO for Peru, the QLFS for South Africa and the HLFS for Turkey.

**High and persistent informality in the region leaves workers more vulnerable and deprives them from social protection, thus contributing to inequality.** For example, old age poverty in [Colombia](#) is high as low-skilled workers spend much of their working lives in informal employment, without pension contributions (OECD, 2019[1]). In [Brazil](#) and [Argentina](#), informal workers retire later than others for the same reason, until they eventually reach the age to benefit from a non-contributory pension (OECD, 2019[2]; OECD, 2018[3]). In [Mexico](#), poverty and informality are highly correlated among regions (OECD, 2019[4]). Informality also tends to maintain companies small with often low productivity as growing would face high costs of formalisation. Indeed, informal-sector productivity in the average LAC country is only between 25 and 75 percent of total labour productivity, and productivity decreases as informality rises (Loayza, 2018[5]). Informality also reduces the tax base for corporate and personal income taxes, reducing the capacity of the public sector to boost productivity and reduce inequality, and requires a higher tax burden on larger formal companies.

**Weak competition is a second reason behind low productivity and is often reflected in high concentration** (Figure 2). Entry barriers can protect existing activities that have little future growth potential at the cost of new dynamic and productive firms. Weak competition creates rents and lowers the share of wages in value-added worsening income distribution. Higher prices for consumers reduce purchasing power, affecting disproportionately low-income households.

**Figure 2. Competition perceptions are low in LAC**



Source: World Economic Forum, [The Global Competitiveness Index 4.0](#).

## **Reducing informality for productivity and equity**

The causes of informality are multiple. Informality is often a consequence of high costs of hiring formal workers, both wage and non-wage, especially in relation to labour productivity, given low educational outcomes.

**Where high informality and weak competition coincide, as is the case in many Latin American countries, the consequences for both growth and equity can be particularly severe.** For emerging Latin America to grow stronger and better share the

fruits of growth, dealing with informality and competition should be priority.

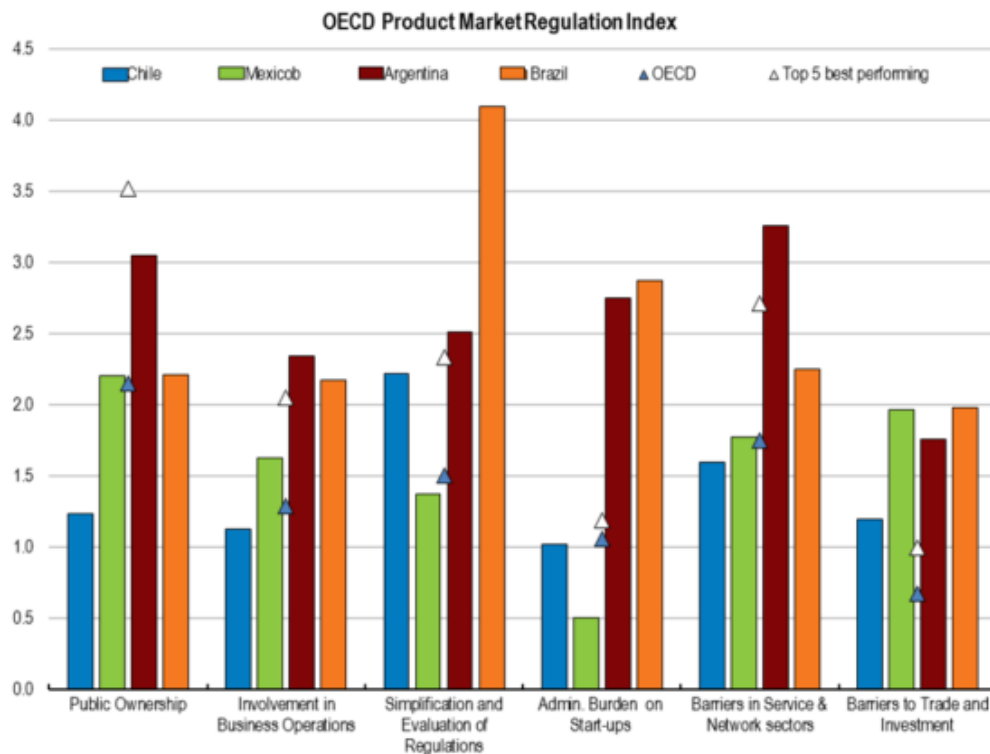
**Labour informality is often caused by rigid labour regulation.** High firing costs of workers can discourage formal-sector hiring and promote inequality (Loayza, 2018[5]; OECD, 2018[6]; Heckman and Pages, 2000[7]). In [Mexico](#), a labour reform in 2012 reduced hiring and firing costs, introduced different models of contracting and brought changes to the resolution of labour conflicts. Formal salaried jobs increased in the aftermath (OECD, 2019[4]). Minimum wages can be high compared to productivity or average wages keeping most workers informal. In [Colombia](#), the minimum wage is close to the median wage and two thirds of workers earn less than that (OECD, 2019[1]). High payroll taxes can also have a detrimental effect on informality rates (Bobba, Flabbi and Levy, 2018[8]). Antón and Rastaletti (2018[9]) show how lowering employer social security contributions could lead to a substantial increase of labour formalisation. At a minimum, lower employer contributions could be offered temporarily for hiring low-skilled workers that enter the formal sector for the first time (OECD, 2017[10]). Lowering payroll taxes in [Colombia](#) helped reduce informality after the 2012 reform (Kugler et al., 2017[11]; Morales and Medina, 2016[12]; Fernández and Villar, 2016[13]; Bernal et al., 2017[14]). While incentives are crucial, better enforcement also needs to be part of any formalisation strategy.

**Cumbersome administrative barriers and high taxes can keep companies informal.** Latin America stands out in this respect (Figure 3). The tax burden on formal companies is also high compared to the OECD and positively associated to informality rates (Figure 4). To promote formalisation, regulatory and tax systems should be simple, with gradual increases in the tax burden as firms grow, so as not to discourage growth, and keep

marginal tax rates as low as possible (Loayza, 2018[5]). These characteristics are crucial to encourage investment and employment in growing and larger companies.

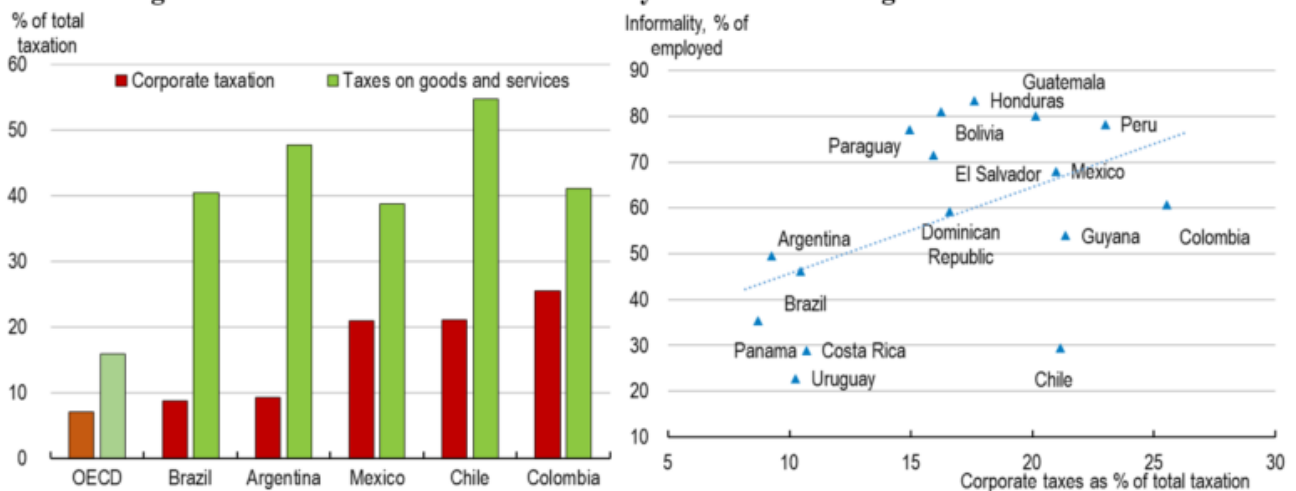
**Many countries in the region have implemented simplified schemes and reduced costs for small taxpayers with the aim of reducing informality.** For example, [Mexico](#) introduced a special simplified regime for SMEs (Regimén de Incorporación Fiscal, RIF) in 2014, which induced 1.5 million informal firms to join the tax system (OECD, 2018[15]). In [Brazil](#), a special tax regime for microenterprises (Microempreendedor Individual, MEI) reduced the cost of formalisation and contributions to social security as of 2008. This regime helps explain the rising formalisation of the self-employed, including of women (OECD, 2012[16]). In [Argentina](#), a simplified tax regime called Monotributo helped formalise self-employed workers. In [Colombia](#), the tax reform in 2018 introduced a new simplified tax scheme (Simple) for small firms, and there are signs of positive impact on firm formalisation during 2019. At the same time, these regimes have to be designed carefully. When participation thresholds for special SME tax regimes are set too high, the effectiveness for formalisation declines while fiscal cost and threshold effects rise, as in the case of Brazil's Simples Nacional (OECD, 2018[3]). At times, simplifying the general tax regime may be preferable over creating exceptions.

**Figure 3. Regulation burden is high in Latin American countries**



Source: OECD, 2018 PMR database

**Figure 4. The relative tax burden faced by formal firms is high in Latin America**



Note: Informality is defined as those not contributing to pension system.  
Source: OECD Revenue Statistics Latin American countries and IADB SIMS database

**Education and skill levels are also linked with informality.** Countries with lowest informality rates tend to have significantly higher levels of human capital (Docquier, Müller and Naval, 2017[17]). It is not a coincidence that the decrease in informality over recent decades in Latin America went hand in hand with steady progress towards universal education. Evidence shows that improvements in education have

been an important driving force behind falling informality in [Colombia](#) and [Brazil](#) (International Monetary Fund, 2018[18]; OECD, 2018[3]).

## **Increasing competition for productivity and equity**

**In Latin America, the same complex rules that discourage formal job creation often coincide with overly strict regulations that stifle competition.** Competition is affected by how easily firms can enter or exit markets, by the extent of license requirements for starting or expanding a business and by competitive pressures from imports. Relatively high trade protection adds to this in a number Latin American countries, shielding domestic producers from international competition (OECD, 2018[3]). All of this tends to raise prices for consumers and keep resources in low-productivity activities where informality is widespread, for both workers and firms.

**These circular relationships suggest that it is important for the public sector to take stock of burdens that even well-intended regulations and codes can impose on private activity.** Disincentives for firms to go formal will inevitably preclude workers from the benefits of formal jobs, while unnecessary barriers to competition will keep more jobs in activities with limited potential for productivity and wage growth. To foster formal job creation, all parts of a country's regulatory framework should be simple and clear, promote competition, and facilitate both market entry and exit of firms (Loayza, Oviedo and Servén, 2005[19]).

## **Getting there**

A comprehensive strategy is needed to deal with both informality and competition. It involves simplifying labour regulations, keeping administrative burdens and license requirements for companies as easy as possible, facilitating market entry and reducing trade barriers. Bringing more workers and firms into the formal sector would bring about broader social and labour protection, fairer wages, a more even tax burden and higher potential growth. Many of these policies are politically difficult as they involve dealing with vested interests and require appropriate sequencing. But that is not an excuse for inaction. These reforms should be accompanied with training and other active labour market policies for affected workers, as the informal sector often fulfils the function of absorbing excess labour supply, especially during transitions or economic recessions. Reforms to improve quality and relevance of education to raise worker productivity and policies that can raise investment and boost firm productivity should be also part of the strategy.

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**Hacia una Colombia más**

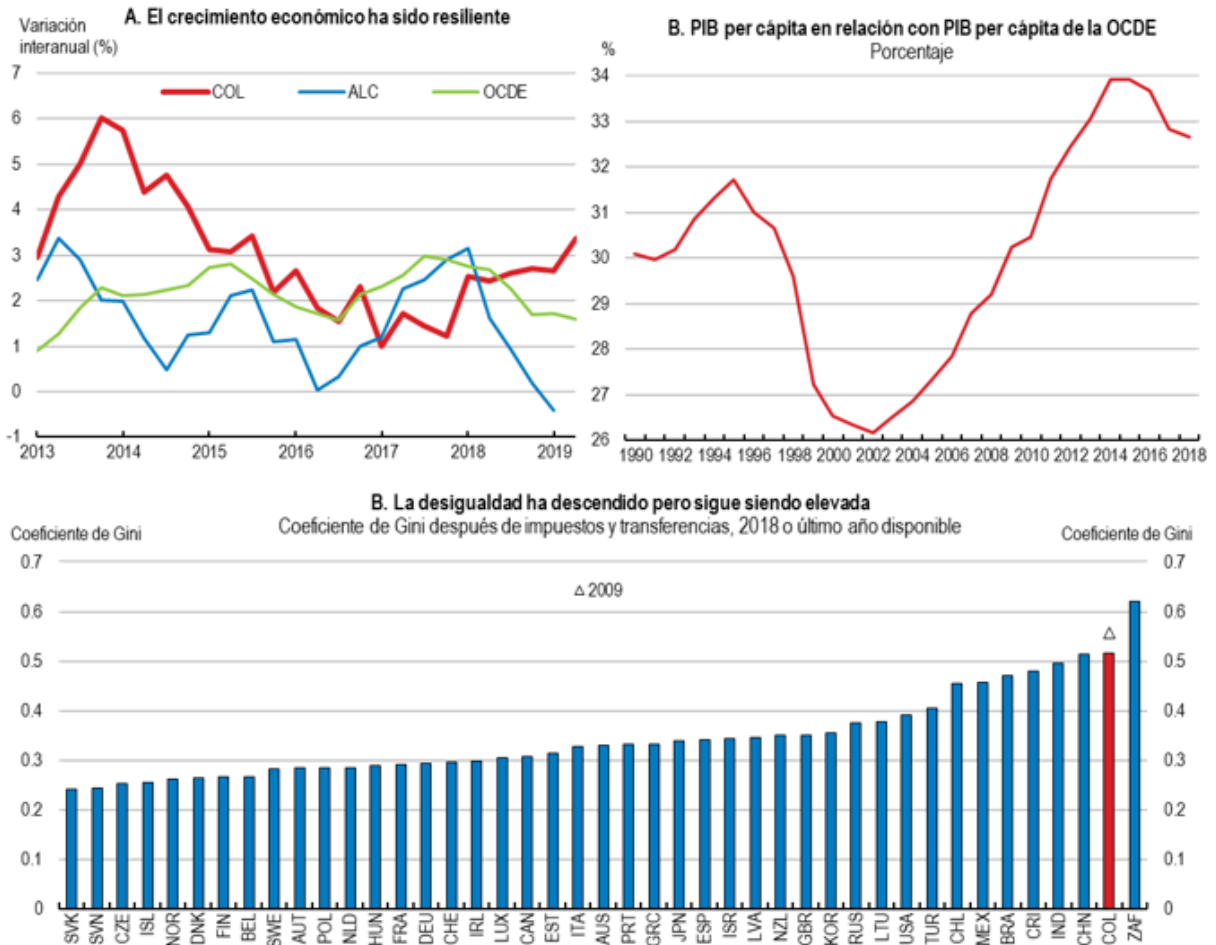
# próspera e inclusiva

Paula Garda y Alberto Gonzalez Pandiella, Departamento de Economía de la OCDE

Colombia ha hecho un buen progreso económico y social en las últimas décadas. La aplicación de políticas macroeconómicas sólidas, junto con una demografía y unas condiciones exteriores favorables, sustentó un crecimiento económico resiliente (Gráfica). Los niveles de vida han mejorado considerablemente y la pobreza ha disminuido.

Sin embargo, persisten los desafíos para mantener la performance y promover la convergencia hacia niveles de vida más altos. Los motores tradicionales del crecimiento, en gran medida las industrias extractivas intensivas en capital y los términos de intercambio favorables, han mostrado sus límites. El crecimiento potencial ha descendido debido a la escasa productividad. EL país tiene una de las brechas entre ricos y pobres más altas de América Latina y la OCDE, y las disparidades regionales son elevadas.

## Gráfica. El crecimiento ha sido resiliente, pero siguen existiendo retos fundamentales



Nota: ALC corresponde al promedio no ponderado de Argentina, Brasil, Chile, Costa Rica y México.  
Fuente: OCDE (2019), Estudios Económicos de la OCDE: Colombia

Las bases de Colombia para responder a estos desafíos son sólidas. El sólido marco macroeconómico ha sostenido el crecimiento y ha suavizado los ajustes a los shocks en el pasado. Mantener esta reputación es clave. La política fiscal deberá encontrar el equilibrio adecuado. Esto debería incluir una reducción gradual del déficit fiscal estructural, hasta el 1% del PIB en 2022, de acuerdo con la regla fiscal, junto con medidas para mejorar la combinación de impuestos y la eficiencia del gasto. Ampliar las bases impositivas y evaluar los programas sociales y las exenciones tributarias, manteniendo sólo aquellos que tengan un efecto positivo en la productividad o la equidad, deberían ser considerados.

Sólo fomentando la productividad, Colombia puede lograr un

mayor y más inclusivo crecimiento, así como una menor dependencia a los recursos naturales. Serán claves el incremento de la competencia y realizar el potencial desaprovechado para hacer de las exportaciones un motor de crecimiento y creación de empleo. A pesar de los esfuerzos por promover la integración comercial a través de los acuerdos comerciales, el país sigue siendo una economía relativamente cerrada, con exportaciones que siguen siendo bajas y poco diversificadas, y gran parte de la economía protegida de la competencia internacional.

Racionalizar las regulaciones, disminuir los aranceles, reducir el uso de barreras no arancelarias, continuar mejorando en infraestructura y mejorar la logística aduanera y portuaria incrementaría la productividad de las empresas. Optimizar los programas de apoyo a la innovación y mejorar el acceso a la financiación incrementaría la competitividad. Avanzar en la digitalización, promoviendo aún más la adopción y uso de tecnologías TIC, mejoraría la competitividad y conexión de las regiones.

Si la productividad y el comercio se convirtieran en motores del crecimiento, aumentarían el bienestar y los niveles de vida. Para asegurarse que los beneficios sean compartidos más ampliamente por todos los colombianos, se necesitan reformas para fomentar empleos de alta calidad. La reducción de los aún elevados niveles de informalidad debería ser prioritaria, ya que beneficia a la productividad, la equidad y las finanzas públicas. La estrategia debería incluir reformas para reducir los costes laborales no salariales, revisar el salario mínimo para que logre un nivel más favorable al empleo, mejorar la calidad y la pertinencia de la educación y formación, e incorporar a más mujeres a los puestos de trabajo en el sector formal creando más y mejores servicios de guardería.

Las políticas sociales podrían ser más eficaces para reducir la desigualdad. Las transferencias condicionadas a los pobres son bajas y una gran parte de los subsidios, como los relacionados con las pensiones y la vivienda, van a parar a los relativamente ricos. Se podría lograr una mayor equidad reasignando más gasto, como el aumento de las transferencias condicionadas, hacia las poblaciones más vulnerables, centrándose en las zonas rurales y las minorías étnicas. Por último, la reforma del sistema de pensiones es urgente para reducir la pobreza en la tercera edad, garantizar la sostenibilidad y aumentar la equidad.

### **Referencia:**

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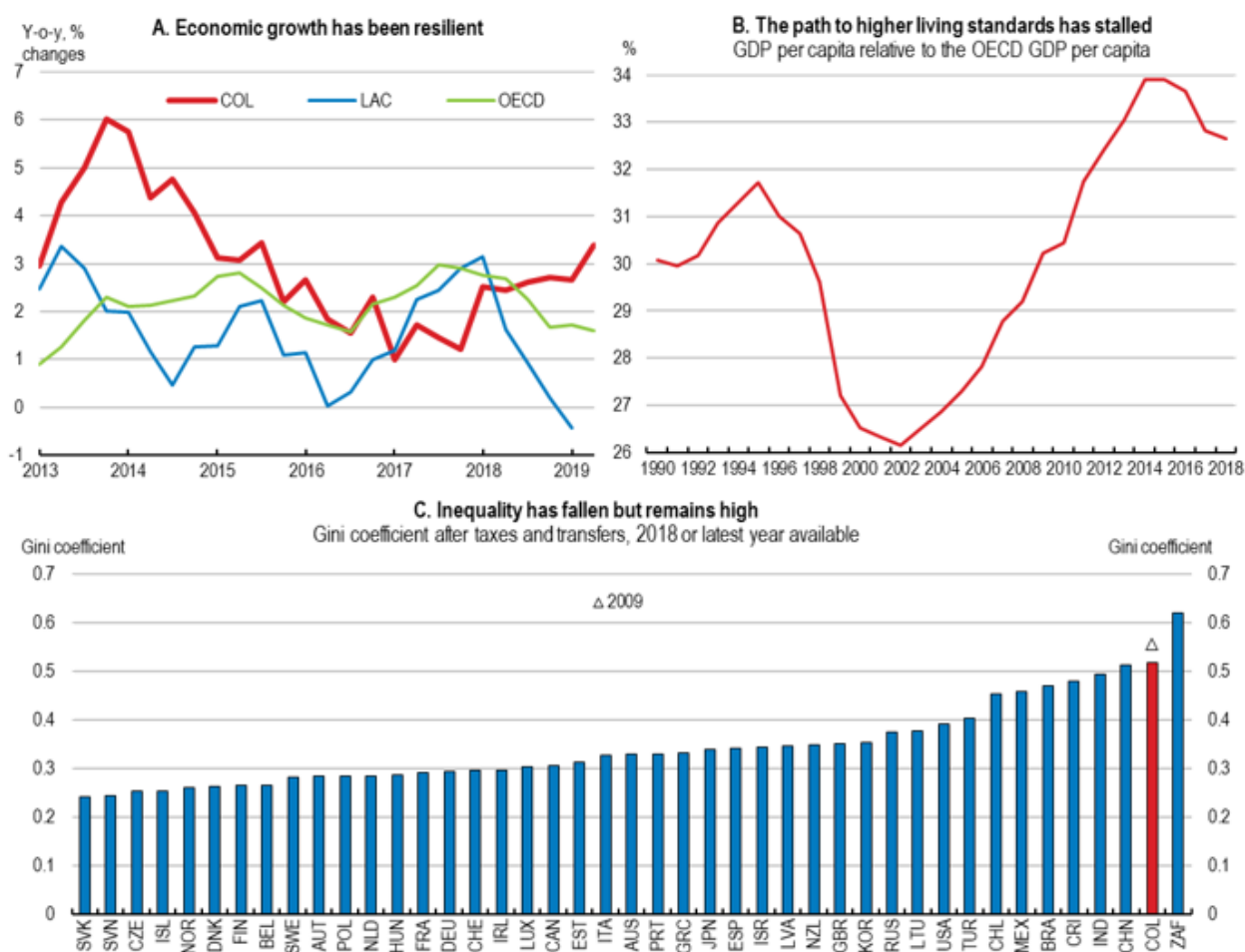
# **Towards a more prosperous and inclusive Colombia**

by Paula Garda and Alberto Gonzalez Pandiella, Colombia Desk, OECD Economics Department

Colombia has made good economic and social progress over the last decades. Sound macroeconomic policies, favourable demographics and external conditions underpinned resilient economic growth (Figure). Living standards have greatly

improved and poverty has declined. Yet, challenges ahead to maintain performance and boost convergence are substantial. The traditional growth drivers, largely capital-intensive extractive industries and favourable terms of trade, have shown their limits. Potential growth has declined due to lacklustre productivity. The country display one of the largest gaps between rich and poor in Latin America and the OECD and regional disparities are also large.

**Figure. Growth has been resilient but fundamental challenges remain**



Note: LAC refers to the unweighted average of Argentina, Brazil, Chile, Costa Rica and Mexico.  
 Source: OECD (2019), OECD Economics Survey: Colombia

Colombia's foundations to respond to these challenges are very solid. The strong macroeconomic framework has sustained growth and smooth adjustments to shocks over the years. Colombia has a well-deserved reputation to meet fiscal targets. Maintaining

this reputation is key. At the same time spending needs, such as those related to infrastructure gaps or social programmes, are large. Fiscal policy will have to find the right balance. This includes a gradual reduction of the structural budget deficit to 1% of GDP by 2022, in line with the fiscal rule and measures to improve the tax mix and spending efficiency. Broadening tax bases and reviewing spending, with a view to eliminate programmes not helping to increase equity or productivity should be considered.

Only by boosting productivity will Colombia get to a path of stronger and more inclusive growth and lower dependence on natural resources. Fostering competition and realising the untapped potential to make exports an engine of growth and jobs hold the key. Despite efforts to promote trade integration via trade agreements, the country remains relatively closed, with exports remaining low and little diversified and large parts of the economy shielded from international competition. Streamlining regulations, decreasing tariffs, reducing the scope of non-tariff barriers, continuing to improve infrastructure and enhancing logistic services would promote the productivity of firms, helping them to tap new markets. Optimising innovation support programmes and fostering access to finance would boost competitiveness. Going digital, by promoting further adoption and use of ICT technologies, would also improve competitiveness and the connectivity of regions.

Making productivity and trade engines of growth would enhance well-being and living standards. To make sure that all Colombians more broadly share the benefits, reforms to foster high-quality jobs are needed. Reducing the still high levels of informality should be priority as it is win-win for productivity, equity and public finances. Reforms to reduce non-wage labour costs, bringing the minimum wage to a more



employment-friendly level, improving the quality and relevance of education and training, enhancing enforcement and bringing more women into formal jobs with better child care facilities should be part of the strategy.

Social policies could do better to decrease inequality. Cash transfers to the poor are low and a large share of subsidies, such as those related to pensions and housing, goes to the relatively rich. Higher equity could be achieved by reallocating more spending, such as higher cash transfers, towards vulnerable populations, with a focus on rural areas and ethnic minorities. Finally, reforming the pension system is urgent to reduce old-age poverty, ensure sustainability and increase equity.

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# **Positive economic outlook for the main economies in Latin America but downward risks**

# have intensified

Alvaro S. Pereira (Director) and Latin American desks,  
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The global economy is navigating rough seas. Global GDP growth is strong but it has peaked. In many countries unemployment is well below pre-crisis levels, labour shortages are biting and inflation remains tepid. Yet, global trade and investment have been slowing on the back of increases in bilateral tariffs while many emerging market economies are experiencing capital outflows and a weakening of their currencies. The global economy looks set for a soft landing, with global GDP growth projected to slow from 3.7% in 2018 to 3.5% in 2019-20. However, downside risks abound and policy makers will have to steer their economies carefully towards sustainable, albeit slower, GDP growth.

The economic recovery in the Latin American economies has become dissimilar. While in some countries, growth has been revised downwards, in others it has been revised upwards. This disparity is closely linked to how these economies have evolved in the face of the financial stress and increased financial volatility in recent months. The region's economies with the best macroeconomic fundamentals, independent central banks, countercyclical monetary policies, sound fiscal policy framework and no major currency mismatches in corporate or sovereign debt, were better able to sail the adverse global financial conditions that led to capital outflows, weakening their currencies.

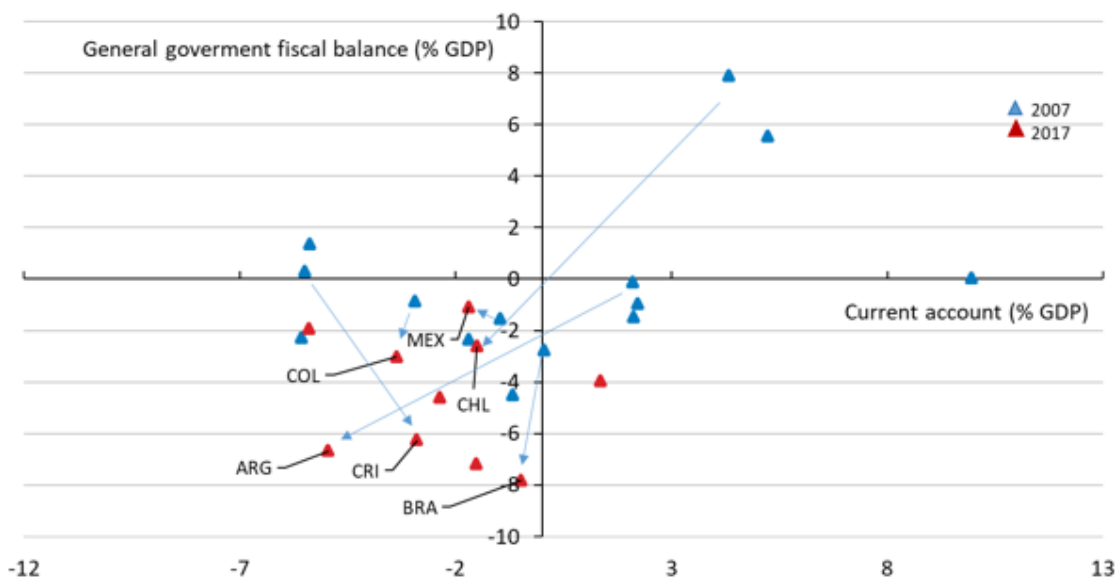
### OECD Economic Outlook for some Latin American countries

	2017	2018	2019	2020
<b>Argentina</b>	2.9	-2.8	-1.9	2.3
<b>Brazil</b>	1.0	1.2	2.1	2.4
<b>Chile</b>	1.6	4.1	3.7	3.4
<b>Colombia</b>	1.8	2.8	3.3	3.4
<b>Costa Rica</b>	3.3	2.9	3.0	3.3
<b>Mexico</b>	2.3	2.2	2.5	2.8

Source: OECD Economic Outlook 104.

While Chile and Colombia have gained momentum, Brazil has shown lower growth and Argentina has fallen into recession. Mexico and Costa Rica have also experienced less momentum than expected. Growth in Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico, countries covering about 85% of Latin America's GDP, is expected to be around 1.4% this year and to accelerate to 2.0% in 2019 and 2.7% in 2020 (weighted average) (see Table). However, downside risks abound while the region is vulnerable to the global context. Several indicators, such as the fiscal and current account deficits have been accentuated in the last decade in most of these economies (Figure), suggesting that the region is still vulnerable. Needs to be noted that the situation is uneven and a broader list of indicators should be analysed.

**The region is still vulnerable ten years later**



Note: Contains data for Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico in the region. In addition, it contains data for China, India, Indonesia, Russia, South Africa and Turkey.

Source: OECD Economic Outlook 104 and IMF.

An accumulation of risks could create the conditions for a harder-than-expected landing. First, further trade tensions would take a toll on trade and GDP growth, generating even more uncertainty for business plans and investment. Second, tightening financial conditions could accelerate capital outflows from the region and depress demand further. Third, a sharp slowdown in China would hit Latin America and other emerging economies, but also advanced economies if the demand shock in China triggered a significant decline in global equity prices and higher global risk premia.

Looking ahead, it will be necessary to strengthen the macroeconomic policy framework to reduce vulnerabilities where necessary. Most of the region's economies are starting, or will start in the near future, more restrictive monetary policies, while also undertaking fiscal consolidation. Depending on each country, it will be important to find a balance between the needs for social spending and public investment, with the need to put debt on a sustainable path. In Chile, Colombia and Mexico, this consolidation can be done gradually, but Argentina, Brazil and Costa Rica need to do it more urgently. Pension or tax reforms will be necessary in this regard.

Given the limited scope for countercyclical policies, in the face of external risks and a more pronounced slowdown, the time to promote the necessary structural reforms is now to guarantee a future with a sustained increase in productivity and greater inclusion. Many countries in the region have scope to reform the tax system and make it more effective in improving investment incentives and raising more resources. Depending on the characteristics of each country, possible measures may include limiting the use of tax exemptions and reduced rates, particularly in VAT, but also in corporate taxes, extending the tax base by including more people in personal income taxes, reducing evasion or making greater use of property, inheritance or environmental taxes. Other

priorities should focus on export promotion and diversification, which would help reduce current account deficits. Investing in quality and innovative human capital, closing infrastructure and logistical gaps, and curbing corruption would support exports and their diversification, strengthening growth. Encouraging women's participation in the labour force, reducing precariousness and informality in the labour market, as well as pension reforms are also urgent in several countries of the region and necessary to increase productivity and reduce inequalities.

**Argentina:** A combination of massive fiscal and monetary tightening will keep the economy in recession during 2018 and 2019. Private consumption and investment will remain depressed due to lower real incomes and high interest rates, and unemployment will rise. However, a better harvest and a lower real exchange rate will support stronger exports.

**Brazil:** Growth will gain momentum during 2019 and 2020 as private consumption, supported by improvements in the labour market, will increase. Recovering credit and greater policy certainty as a new administration takes office will buttress the recovery. Political uncertainty around the implementation of reforms remains significant and could derail the recovery, but if uncertainty fades and reforms advance as assumed, investment will become stronger.

**Chile:** Growth is projected to remain strong over the next two years. With an uncertain external environment, solid domestic demand will underpin growth, aided by a stable inflation environment, public infrastructure projects and a tax reform. Inequality, though decreasing, remains high, as informality and unemployment remain high and social transfers low.

**Colombia:** Growth is projected to pick up as infrastructure projects, lower corporate taxes and higher oil prices will boost investment. Improving confidence and financing conditions will support consumption. As growth gains traction,

unemployment will edge down. Social indicators are improving but informality and inequality remain high.

**Costa Rica:** Growth is projected to recover to around  $3\frac{1}{4}$  per cent in 2020 and be broad-based, underpinned by both domestic and external demand. However, uncertainty, particularly surrounding the planned fiscal reforms, is weighing on growth in the near term. The projections are based on the assumption that the fiscal reforms will be implemented from 2019, with modest fiscal tightening holding back growth in 2019 and 2020.

**Mexico:** Growth is projected to pick up to  $2\frac{3}{4}$  per cent in 2020. Low unemployment, strong remittances and the recovery of real wages will support household consumption. Investment, which has been persistently low, will strengthen on the back of announced public investment plans and increased confidence associated with the US-Mexico-Canada trade agreement. Exports will decelerate owing to less favourable global conditions, especially in the United States. Inflation has been pushed up by rising energy prices, but expectations and core inflation remain anchored and within the central bank's target band. Informality is slowly declining but remains elevated, contributing to persistently high inequalities and low productivity.

To read more about the [Economic Outlook](#) and the main structural challenges visit the [english and spanish/portuguese version](#) (it includes OECD forecasts and a chapter on decoupling of wages and productivity and the implications for public policy).

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# **Las perspectivas económicas son positivas en los principales países de América Latina pero los riesgos a la baja se han acentuado**

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La economía mundial está navegando mares agitados. El crecimiento del PIB mundial es fuerte, pero ha alcanzado su punto máximo. En muchos países, el desempleo está por debajo de los niveles anteriores a la crisis de 2008, la escasez de mano de obra se empieza a sentir, aunque la inflación sigue siendo templada. Sin embargo, el comercio y la inversión mundiales se han desacelerado como consecuencia del incremento de aranceles bilaterales y de mayor incertidumbre política, mientras que varias economías emergentes están experimentando salidas de capitales y un debilitamiento de sus monedas. La recuperación del crecimiento global comenzará a desacelerarse, mientras que los riesgos a la baja se han acentuado. Se prevé que el crecimiento del PIB mundial disminuya del 3,7% en 2018 a 3,5% en 2019-2020. Sin embargo, abundan los riesgos de recesión y los responsables políticos tendrán que orientar cuidadosamente sus economías hacia un crecimiento sostenible, aunque más modesto, del PIB.

En las principales economías de América Latina, la recuperación económica se ha vuelto despareja. Mientras que en

algunas, el crecimiento se ha revisado a la baja, en otras se ha revisado al alza. Esta disparidad está estrechamente ligada a cómo estas economías han evolucionado frente al estrés financiero e incremento de volatilidad financiera de los pasados meses. Las economías de la región con mejores fundamentos macroeconómicos, bancos centrales independientes, políticas monetarias contracíclicas, un marco de política fiscal sólido y sin grande descalce de monedas en la deuda corporativa o soberana, fueron los que sortearon mejor las condiciones financieras globales adversas que sometieron a varios países a una repentina salida de capitales y debilitamiento de sus monedas.

#### **Perspectivas Económicas de la OCDE para algunos países de América Latina**

	2017	2018	2019	2020
<b>Argentina</b>	2.9	-2.8	-1.9	2.3
<b>Brasil</b>	1.0	1.2	2.1	2.4
<b>Chile</b>	1.6	4.1	3.7	3.4
<b>Colombia</b>	1.8	2.8	3.3	3.4
<b>Costa Rica</b>	3.3	2.9	3.0	3.3
<b>México</b>	2.3	2.2	2.5	2.8

Fuente: Perspectivas Económicas 104 de la OCDE.

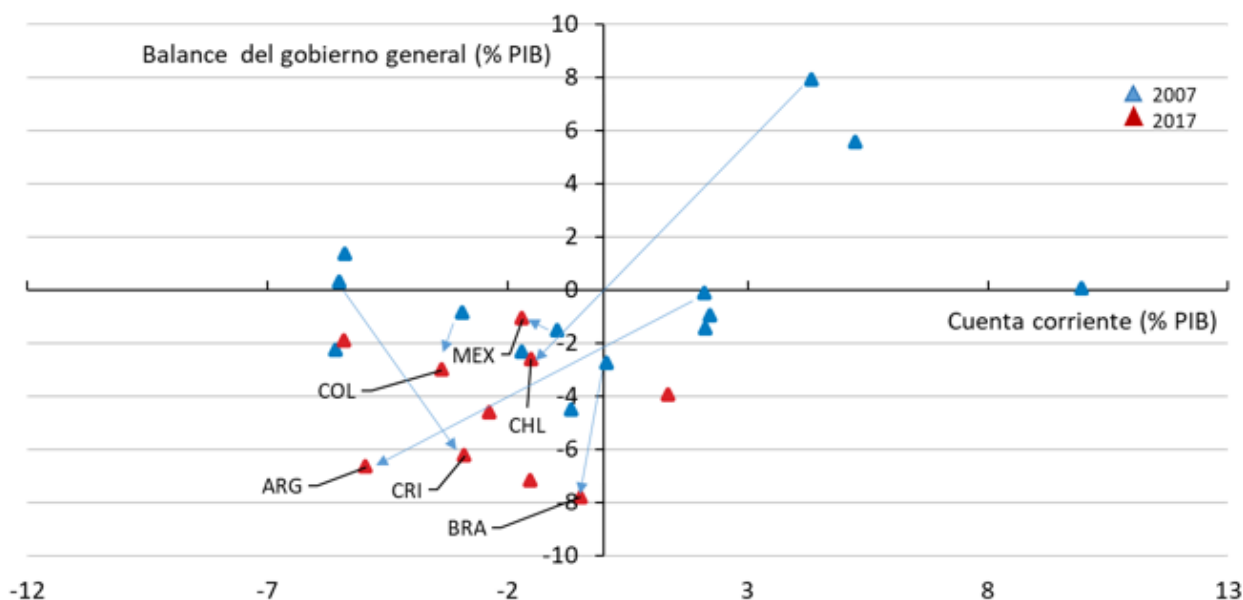
Mientras que Chile y Colombia han ganado ímpetu, Brasil ha mostrado menor crecimiento y Argentina ha caído en recesión. México y Costa Rica también han experimentado menor ímpetu al esperado. Se espera que el crecimiento en Argentina, Brasil, Chile, Colombia, Costa Rica y México, países que cubren alrededor del 85% del PIB de América Latina, se sitúe en torno al 1.4% este año y se acelere a 2.0% en 2019 y 2.7% en 2020 (promedio ponderado) (Tabla). Sin embargo, abundan los riesgos a la baja, mientras que la región se encuentra vulnerable al contexto global. Algunos indicadores, como los déficits fiscales y de cuenta corriente (Figura) se han acentuado en la mayoría de estas economías en la última década, sugiriendo que la región es aún vulnerable. Debe notarse que la situación es dispar y se debe mirarse una lista más amplia de indicadores.

Una acumulación de riesgos podría crear las condiciones para



una desaceleración de crecimiento más acentuada de la esperada. En primer lugar, nuevas tensiones comerciales afectarían al comercio y al crecimiento del PIB, generando aún más incertidumbre para las empresas y la inversión. En segundo lugar, el endurecimiento de las condiciones financieras globales podría acelerar las salidas de capitales y deprimir aún más las monedas de la región. En tercer lugar, una fuerte desaceleración en China afectaría a la región y otras economías emergentes, pero también a las economías avanzadas si el *shock* de la demanda en China provocara un descenso significativo de los precios mundiales de las acciones y un aumento de las primas de riesgo mundiales.

### La región sigue siendo vulnerable diez años después



Nota: Contiene datos para Argentina, Brasil, Chile, Colombia, Costa Rica y México en la región. Además, contiene datos para China, India, Indonesia, Rusia, Sudáfrica y Turquía.

Fuente: Base de datos de Perspectivas Económicas 104 y FMI.

De cara al futuro, será necesario reforzar el marco de las políticas macroeconómicas para reducir vulnerabilidades donde sea necesario. La mayor parte de las economías de la región están comenzando, o lo harán en el futuro próximo, políticas monetarias más restrictivas, al tiempo que también deben llevar a cabo una consolidación fiscal. Dependiendo de las holguras de cada país, será importante encontrar un ritmo que balancee las necesidades de gasto social y de inversión

pública, con la necesidad de poner la deuda en una senda sustentable. En Chile, Colombia y México, esta consolidación se puede llevar a cabo de manera gradual, pero Argentina, Brasil y Costa Rica necesitan hacerlo de manera más urgente. Reformas pensionales o tributarias serán necesarias en este sentido.

Dado el escaso margen para hacer políticas contracíclicas ante la realización de riesgos externos y una deceleración más acentuada, el momento de impulsar reformas estructurales necesarias es ahora, para garantizar un futuro con incremento sostenido de la productividad y mayor inclusión. Muchos países de la región tienen margen para reformar el sistema tributario y hacerlo más eficaz para mejorar los incentivos a la inversión y recaudar más recursos. Según las características de cada país, posibles medidas pueden incluir limitar el uso de exenciones tributarias y tasas reducidas, en particular en el IVA, pero también en los corporativos, extender las bases de imposición incluyendo más personas en los impuestos a los ingresos personales, reducir la evasión o hacer mayor uso de impuestos a la propiedad, a la herencia o impuestos ambientales. Otras prioridades deberían focalizarse en fomentar las exportaciones, y diversificarlas, lo que ayudaría a reducir los déficits de cuenta corriente. Invertir en capital humano de calidad e innovación, cerrar las brechas de infraestructura y logística y frenar la corrupción apoyarían a las exportaciones y su diversificación, fortaleciendo el crecimiento. Alentar la participación de la mujer en la fuerza laboral, reducir la precariedad e informalidad del mercado laboral, así como reformas al sistema de pensiones son también urgentes en varios países de la región y necesarios para aumentar la productividad y bajar las desigualdades.

**Argentina:** La economía seguirá en recesión en 2018 y 2019 debido a un endurecimiento fuerte y simultáneo de políticas monetarias y fiscales. El consumo privado y la inversión seguirán siendo bajos a causa del descenso de los ingresos

reales y de los elevados tipos de interés, y aumentará el desempleo. Sin embargo, una mejor cosecha y un tipo de cambio real más competitivo contribuirán al aumento de las exportaciones.

**Brasil:** El crecimiento cobrará impulso en 2019 y 2020 gracias al aumento del consumo privado, respaldado por mejoras en el mercado laboral. La reactivación del crédito y el descenso de la incertidumbre política una vez que el nuevo gobierno tome posesión apuntalarán la recuperación económica. La incertidumbre política sobre la implementación de reformas sigue siendo importante y podría frenar la recuperación pero, si desaparece y las reformas siguen adelante como se supone que deberían hacerlo, aumentará la inversión.

**Chile:** Según las proyecciones, el crecimiento seguirá aumentando en los próximos dos años. Ante una incierta coyuntura externa, el crecimiento estará respaldado por la sólida demanda interna con ayuda de un entorno de inflación estable, proyectos de infraestructuras públicas y una reforma fiscal. A pesar que las desigualdades han disminuido, permanecen altas, debido a que la informalidad y el desempleo siguen siendo elevados y las transferencias sociales escasas.

**Colombia:** Las proyecciones indican que el crecimiento repuntará, ya que los proyectos de infraestructuras, el descenso del impuesto de sociedades y la subida de los precios del petróleo potenciarán la inversión. La mejora de la confianza y de las condiciones de financiamiento respaldará el consumo. A medida que el crecimiento se vaya afianzando, el desempleo descenderá. Los indicadores sociales están mejorando, aunque la informalidad y la desigualdad se mantendrán en niveles elevados.

**Costa Rica:** Según las proyecciones, el crecimiento se recuperará hasta el  $3\frac{1}{4}$  aproximadamente en 2020 y será generalizado, sostenido tanto por la demanda interna como externa. Sin embargo, la incertidumbre, particularmente

respecto a las reformas fiscales planificadas está lastrando el crecimiento a corto plazo. Las proyecciones parten del supuesto de que las reformas fiscales se aplicarán a partir de 2019, con un modesto ajuste fiscal que frenará el crecimiento en 2019 y 2020.

**México:** Está previsto que el crecimiento repunte hasta el  $2\frac{3}{4}$  por ciento hacia 2020. El bajo nivel de desempleo, fuertes remesas y la recuperación de los salarios reales reforzarán el consumo de los hogares. La inversión, que ha sido persistentemente baja, se reforzará a consecuencia de los planes de inversión públicos anunciados y del aumento de la confianza vinculado al acuerdo comercial entre Estados Unidos, México y Canadá. El crecimiento de las exportaciones se reducirá debido a unas condiciones internacionales menos favorables, en especial en Estados Unidos. La subida de los precios de la energía ha empujado la inflación al alza, pero las expectativas y la inflación subyacente siguen ancladas y dentro del rango meta del banco central. El alto nivel de informalidad contribuye a que haya una gran desigualdad y una escasa productividad.

Para leer en más detalle sobre las proyecciones macroeconómicas, así como los principales desafíos estructurales ir al reporte en la [versión español/portugués o inglés](#) (que incluye proyecciones para países de la OECD, principales desafíos y un capítulo especial sobre la desvinculación de los salarios y la productividad y las implicancias en términos de políticas públicas).

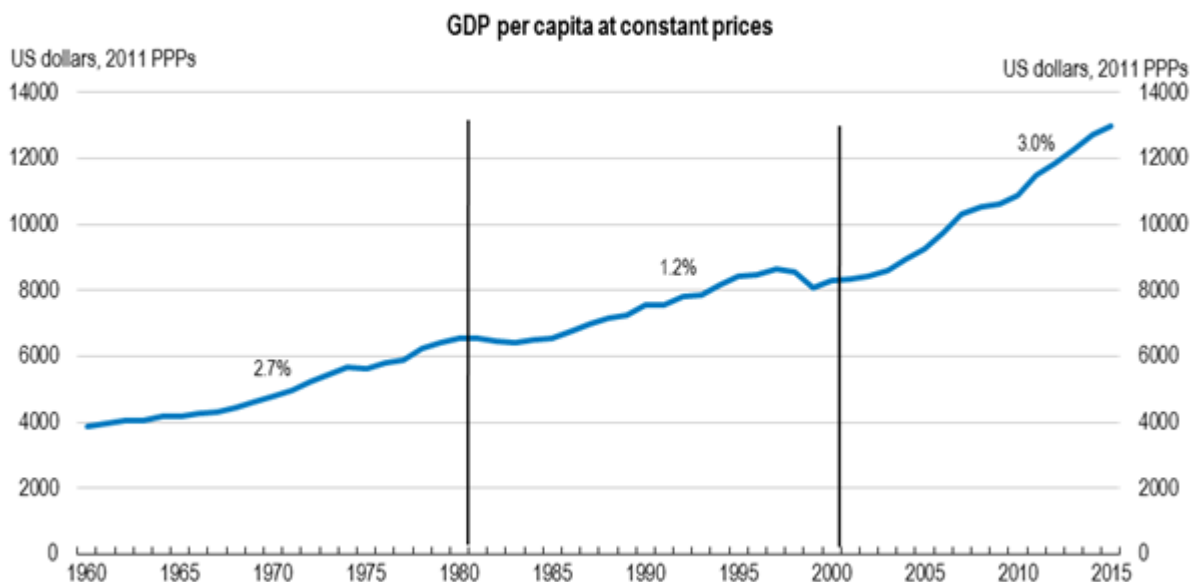
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# Reducing inequality to raise incomes and expand well-being for all Colombians

By Christine de La Maisonnette, Economist on the Colombia desk, Economics Department

Growth has become more inclusive in recent years. Living standards have improved and poverty has declined (Figure 1). However, the gap between rich and poor remains among the highest in Latin America. The peace agreement will boost economic growth, but to share it fairly Colombia must also achieve better educational outcomes and bring more people into the more productive formal economy.

Figure 1. Living standards have improved



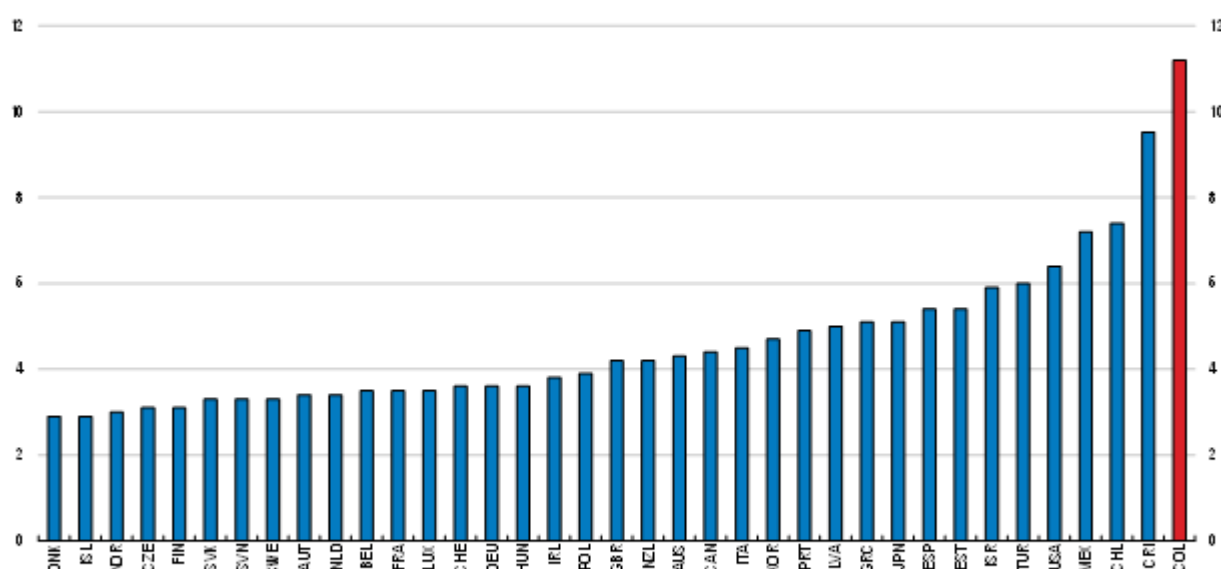
Source: World Bank, World Development Indicators database.

One of the key challenges facing Colombia is the **creation of better quality jobs**. Although the economy has grown strongly for some time, income and regional inequalities remain important (Figure 2). Informality is high in the labour market and keeps more than half of the workers in marginal, insecure,

low paying jobs without access to social benefits. The earnings gap between formal and informal workers is significant. The Colombian authorities have promoted the formalisation of labour over the past decade. In particular, the tax reform of 2012, which reduced non-wage labour costs by eliminating some labour taxes led to a significant increase in formal job creation. To reduce informality more, focus should be placed on further reducing the non-wage labour burden on wages; and simplifying the complex procedures for the registration of companies and the affiliation of workers to social security.

Figure 2. Income inequality remains high

P90/P10 ratio, 2014 or latest available year



Note: The P90/P10 ratio is the ratio of income of the 10% of people with highest income to that of the poorest 10%.

Source: OECD (2016), OECD Employment Outlook.

Despite significant progress in reducing gender inequalities in education and providing more opportunities for women to develop their careers, gender employment and wage gaps still remain; in particular for low-income, low-educated and rural women. Greater and more affordable child, elderly and disability care could open the job market to more women. Colombia should also increase investment in active labour-market policies such as training to reduce the gender gap in

labour market participation.

A key ingredient to enhance inclusive growth is to **raise the quality of education** at every level, starting in pre-primary. The performance of the education system has improved in recent years as shown by the new PISA results (an internationally standardised test for 15 year olds). Colombia has made impressive gains in expanding access to education but the quality is still highly unequal and too many students leave education without the basic skills they need to succeed in life and work. Raising the quality of teaching will be vital to improve student learning.

**The social system could also redistribute more.** Public social spending has increased remarkably since the 1990s due to commitments in the Constitution and greater decentralisation of public expenditure. Nonetheless, social spending remain low relative to GDP and compared to the OECD average, are not always well targeted and have a very limited redistributive impact. The pension system leaves many elderly in poverty. The high level of informality and stringent eligibility requirements generate a low coverage especially for women and lower-skill workers. The government provides old-age income support for the poor through *Colombia Mayor* but coverage and benefits are too low. A reform of the pension system is needed to extend coverage and increase the elderly well-being.

Health coverage is almost universal. Out-of-pocket payments have substantially declined and almost all citizens have access to an equal basket of services whether they are in formal or informal employment. However, access to quality services remains difficult for the poor and in rural areas. Given the remoteness of many areas in Colombia, poor availability of health centres and health professionals, deficient transportation and high transportation costs make it challenging to ensure an adequate standard of care quality in all regions. Consequently, health outcomes differ across regions. A different delivery and financing model is needed in

rural and remote areas to achieve levels of access and quality that are comparable to advanced urban settings. This will require forging a sustained service network between rural and urban health care providers.

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