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LATIN AMERICA

Strong economic growth continues in Latin America

Latin America and the Caribbean mark the fifth year of strong economic expansion, expected to continue next year.

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Economies in Latin America and the Caribbean are headed into their sixth consecutive year of strong growth in 2008, raising prospects they will be cushioned from the financial turbulence sweeping the globe, a leading regional economic institution said Thursday.

Regional economies will expand by an average 5.6 percent this year and are forecast to grow another 4.9 percent in 2008, according to a preliminary report by the Economic Commission for Latin America and the Caribbean.

The region has not experienced such sustained positive economic performance since the late 1960s and early 1970s, the commission said.

Despite the brisk growth, Latin American and Caribbean nations still lag behind other developing countries, mainly in Asia, which are growing at more than 7 percent annually.

Before the current period of expansion began in 2003, Latin America's shrinking economies sparked warnings of a lost half decade, a reference to the debilitating foreign debt crisis of the 1980s.

Per capita income for the region also has been on the rise at a rate of 3.5 percent annually.

José Luis Machinea, executive secretary for the Economic Commission, said a number of factors helped the region at the same time worldwide credit was tightening and money markets were caught up in the U.S. subprime mortgage turmoil.

From a positive trade balance to rising reserves of foreign currency and a flurry of consumer spending in some countries, the Latin American and Caribbean nations were better prepared than in the past to withstand pressures on currencies and changes in investor sentiment.

Still, during a meeting at the organization's headquarters in Santiago, Chile, Machinea warned: "We are facing greater volatility in international financial markets and an increase in uncertainty, which require caution in economic management."

The commission said that the immediate future was also clouded by an expected economic slowdown in developed countries, which will strain developing countries, especially those dependent on the U.S. market, such as Mexico and Central American nations.

Machinea also listed a number of self-inflicted problems, including sharp rises in the value of some currencies, rising inflation and higher government spending. The commission recommended governments invest in infrastructure and education to make their economies more competitive.

Still, exports continued to rise in 2007, although at a slower rate than in the past few years, giving the region a current account surplus and rising foreign reserves. Foreign debt also diminished during the year.

Surging investment has spurred demand in most countries, with consumer spending also driving growth as households become more prosperous because of higher levels of employment and access to lending, the report said.

Job growth has pushed the region's unemployment rate down to an average of 8 percent, a level not seen since the early 1990s.

Caribbean countries were growing at a slower pace, averaging only 3.9 percent economic expansion in 2007.