



Urbanization in Latin America

July 2017

Urbanization in Latin America: main messages

1. Urbanization trends



Urbanization levels have increased significantly in Latin America since 1950.

Urbanization is now around 80% in Latin American countries, more than in most of the other regions.

After a sharp growth, urbanization in Latin America exhibits signs of moderation. Over the next decades it will expand below the world average.

2. Urbanization and income



Urbanization is positively correlated with income per capita, as well as with capital, labor and productivity (TFP) measures.

However, in spite of displaying high urbanization rates, Latin American countries show relatively low levels of income, capital, labor and productivity.

Prospects of milder expansion of urbanization ahead represent a challenge in terms of growth for the region.

3. Urbanization and digitization



Urbanization is also positively associated with digitization.

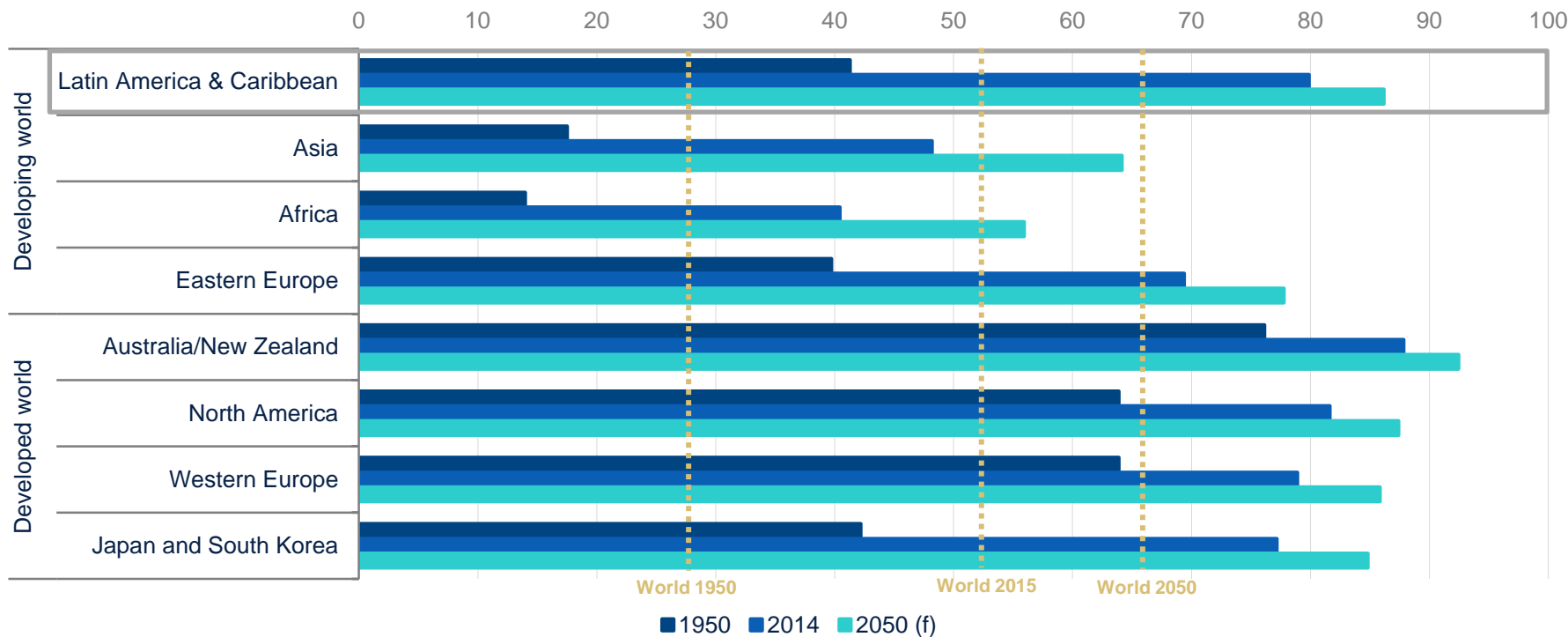
Latin America countries should try to leverage on their high urbanization levels to boost digitization.

1. Urbanization trends



Urbanization took place earlier and at faster pace than in other emerging markets in Latam and is now at advanced economies' levels

Share of urban population by regions (1950, 2015 and 2050)*
 (% of total population)



Latin America & Caribbean

13% of world's urban population

80% of population living in urban areas

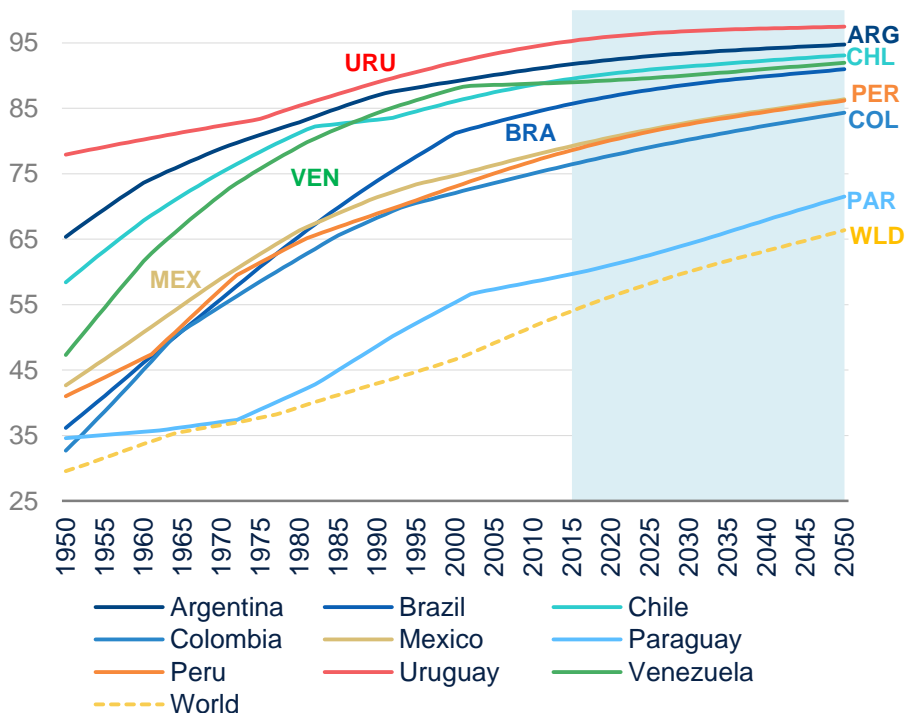
93% growth of urbanization rate since 1950

Urbanization to reach 86% by 2050

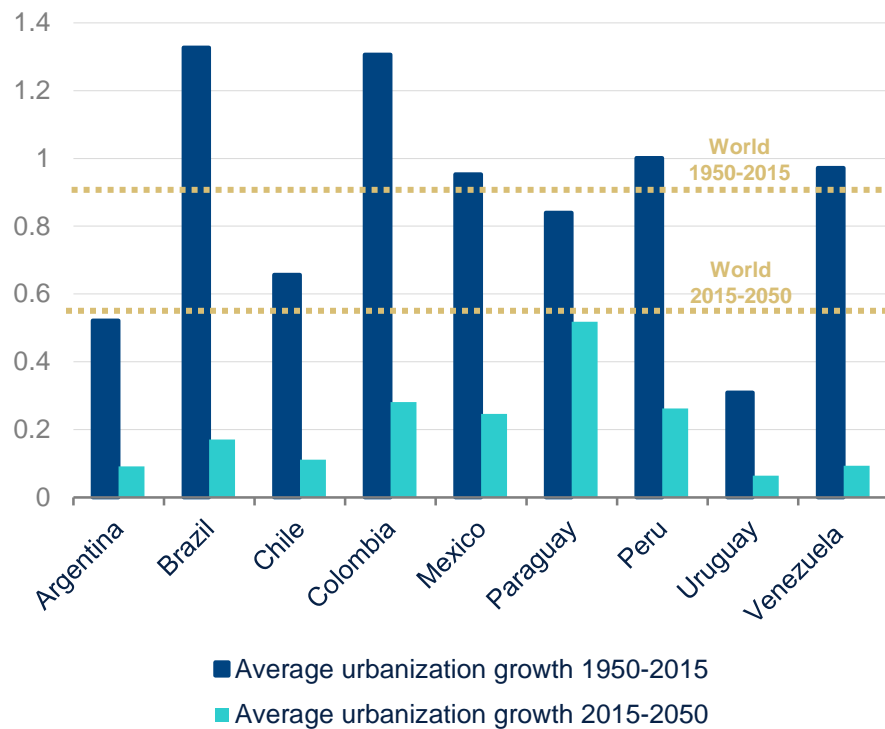
Source: BBVA Research and UN. * Share of population residing in urban areas for each year.

Urbanization in Latam to expand less than the world average in the future, which represents a challenge in terms of growth for the region

Urbanization rates
(% of total population)



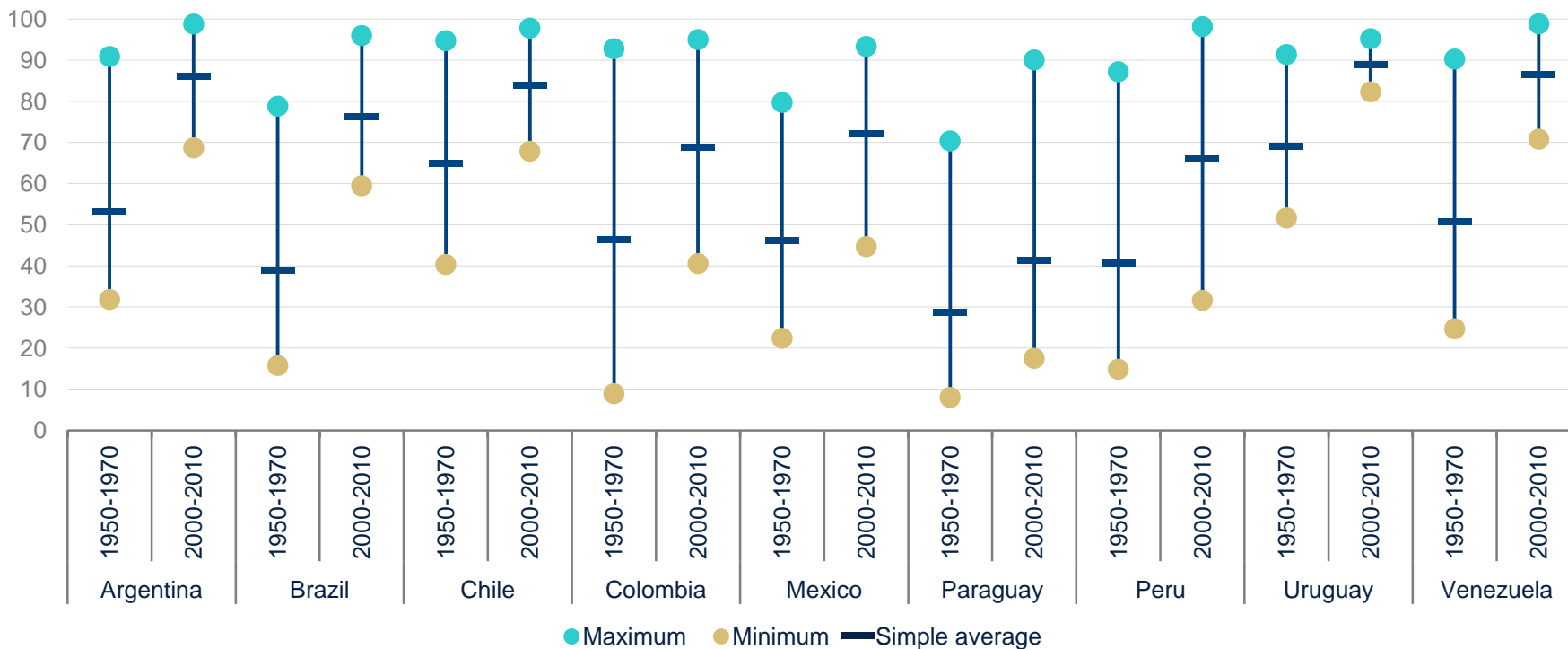
Urbanization growth
(average rate of urbanization growth, %)



Urbanization levels vary significantly within each country in Latam

Regional urbanization within Latin American countries *

(maximum, minimum and average urbanization at state level for each country)

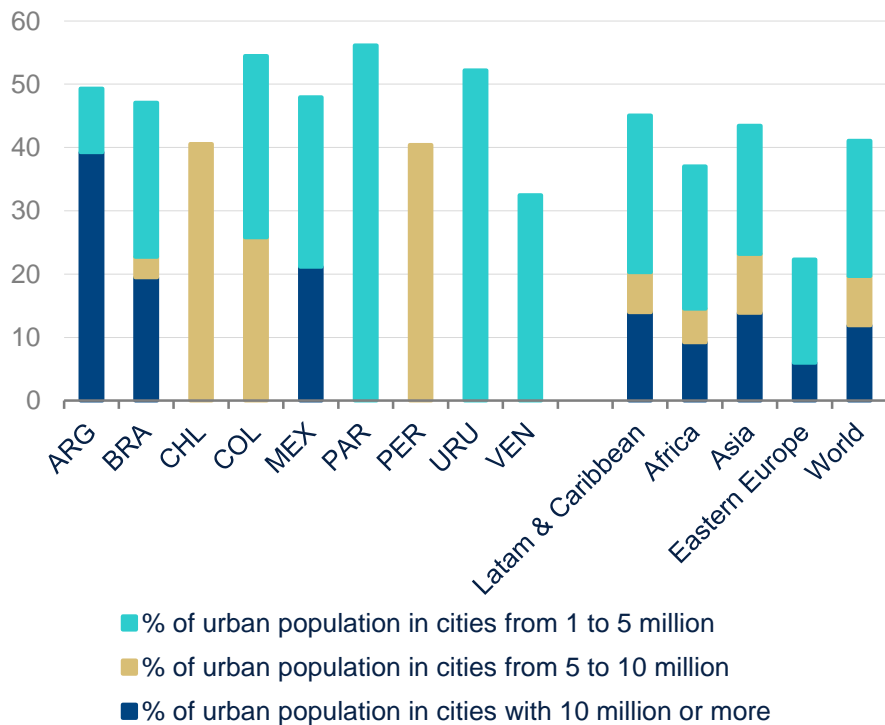


Source: BBVA Research and national statistics. * Only one specific year has been considered for each period (ARG: 1960 and 2010; BRA: 1960 and 2001; CHL: 1960 and 2015; COL: 1970 and 2002; MEX: 1960 and 2000; PAR: 1962 and 2002; PER: 1960 and 2007; URU: 1963 and 2004 and VEN: 1961 and 2001) varying according to the availability of national demographic statistics.

Practically half of the total urban population in Latam lives in (few) big cities, a larger share than in other regions

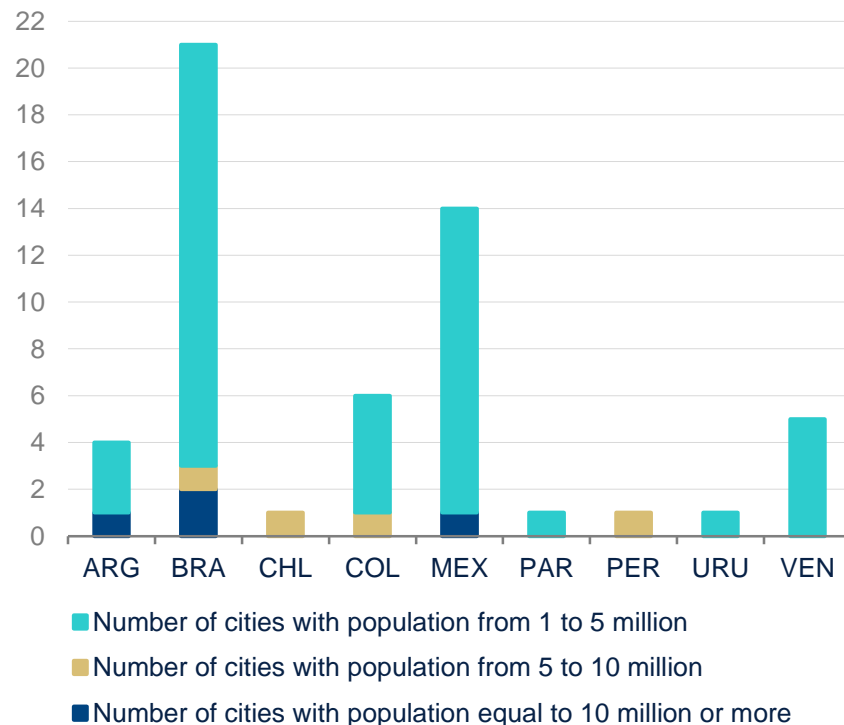
Share of urban population in big cities

(% of total urban population; 2015)



Number of big cities across Latam*

(2014)



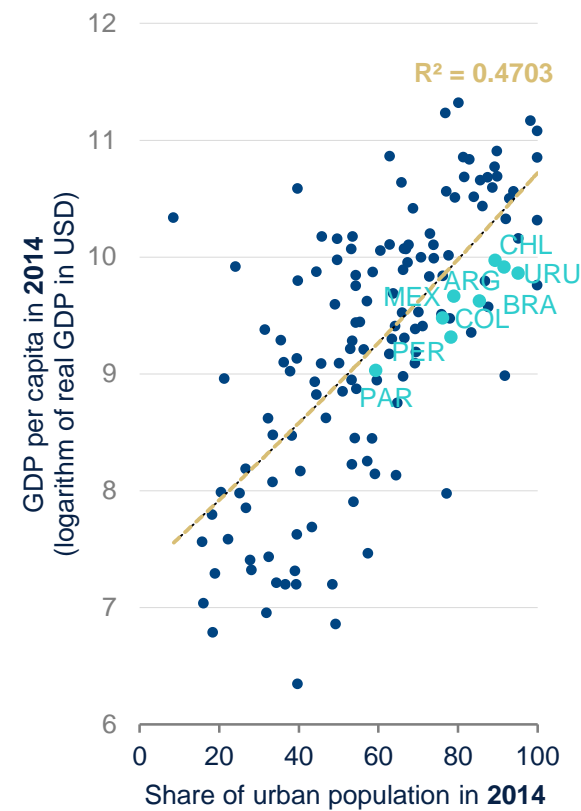
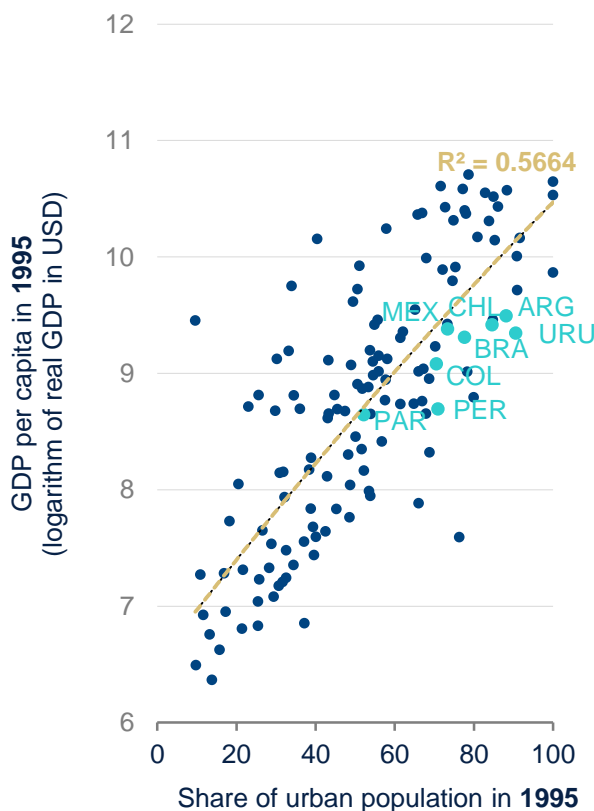
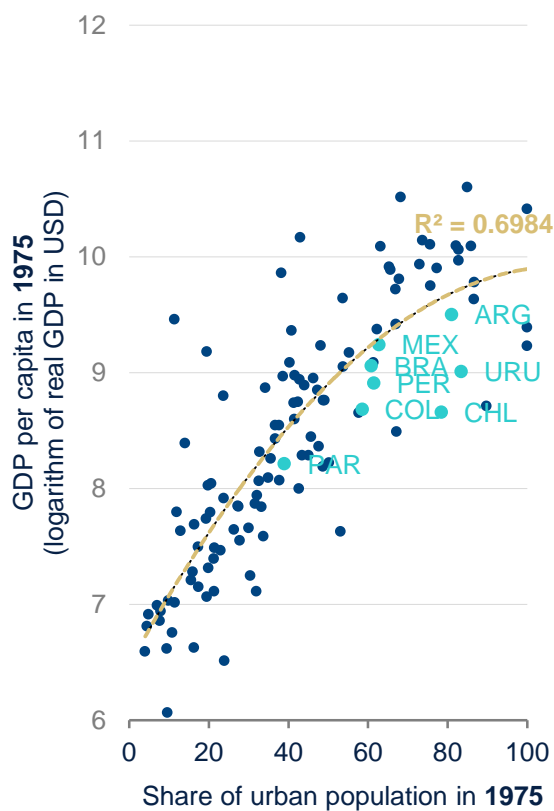
Source: BBVA Research and United Nations. * The number of cities with a population of at least 1 million is equal to 105 in China, 8 in Turkey, 58 in India, 11 in Indonesia, 6 in South Africa, 13 in the Russian Federation and 1 in Poland.

2. Income and urbanization



Income and urbanization are highly correlated; Latam countries have relatively high urbanization given their income levels

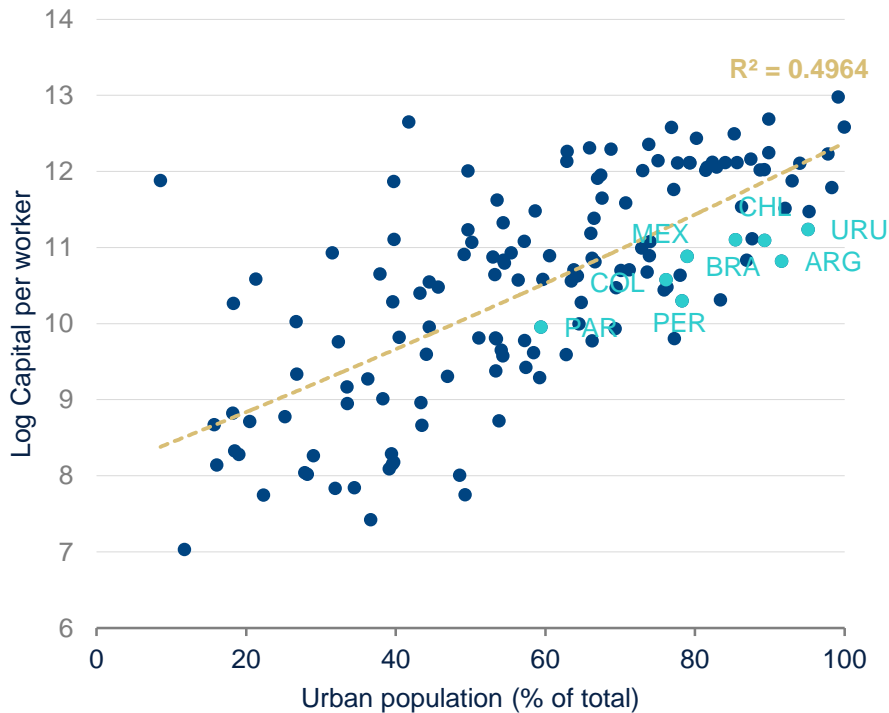
GDP per capita and urbanization *
(1975, 1995 and 2014)



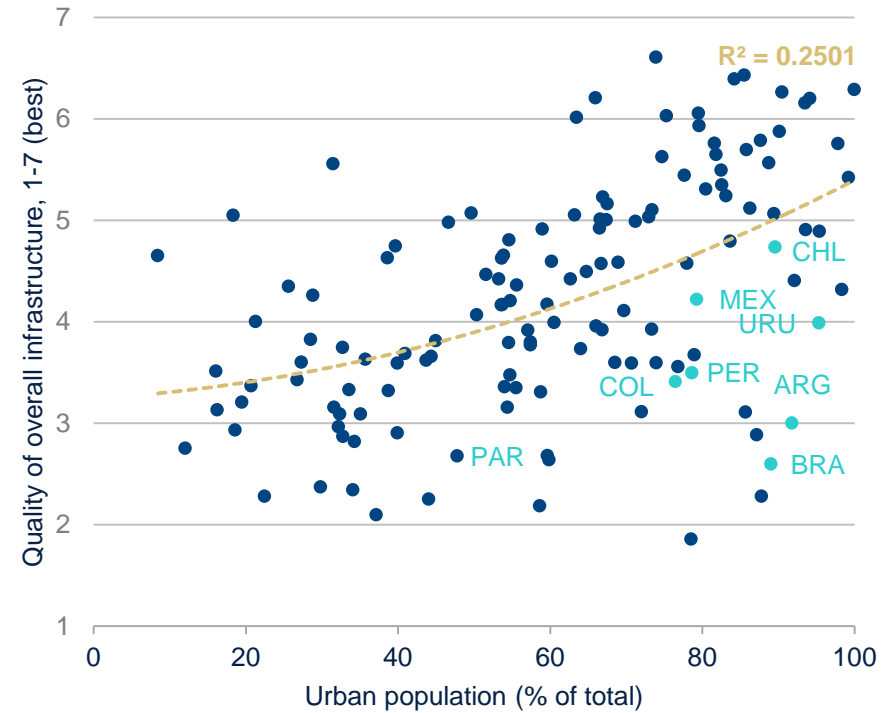
Source: BBVA Research, World Bank and World Penn Tables.
* For information at regional level within each Latam country see the Annex.

Countries with higher urbanization levels exhibit greater levels of capital and better infrastructure; all Latam countries underperform

Capital per worker and urbanization
(2014)

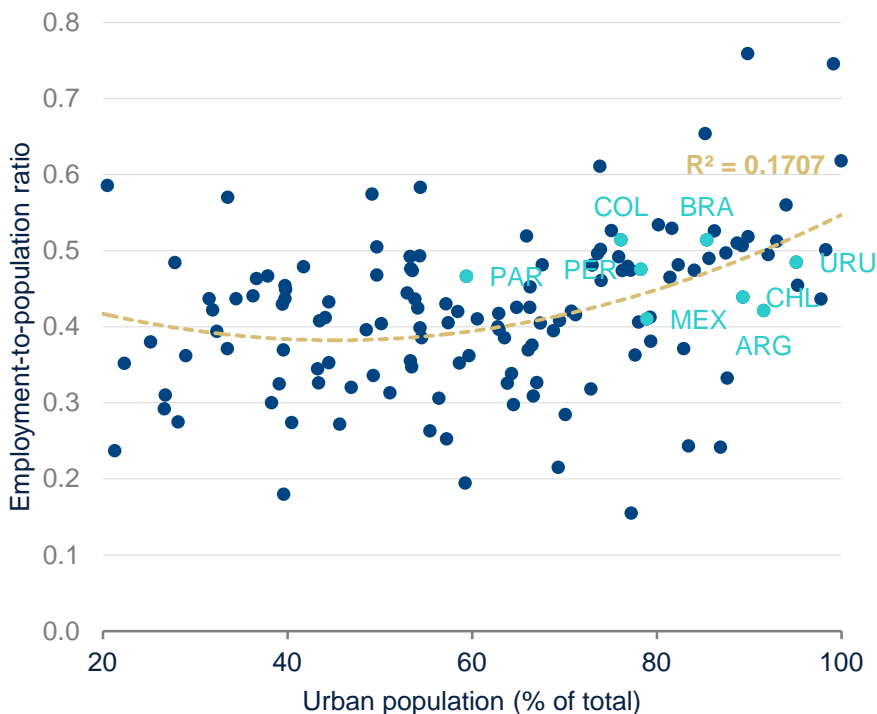


Global Quality of infrastructure
(2015, scale ranges from 1 (worst) to 7 (best))



In spite of exhibiting high urbanization rates, human capital levels are relatively low in Latam

Employment-to-population ratio and urbanization (2014)



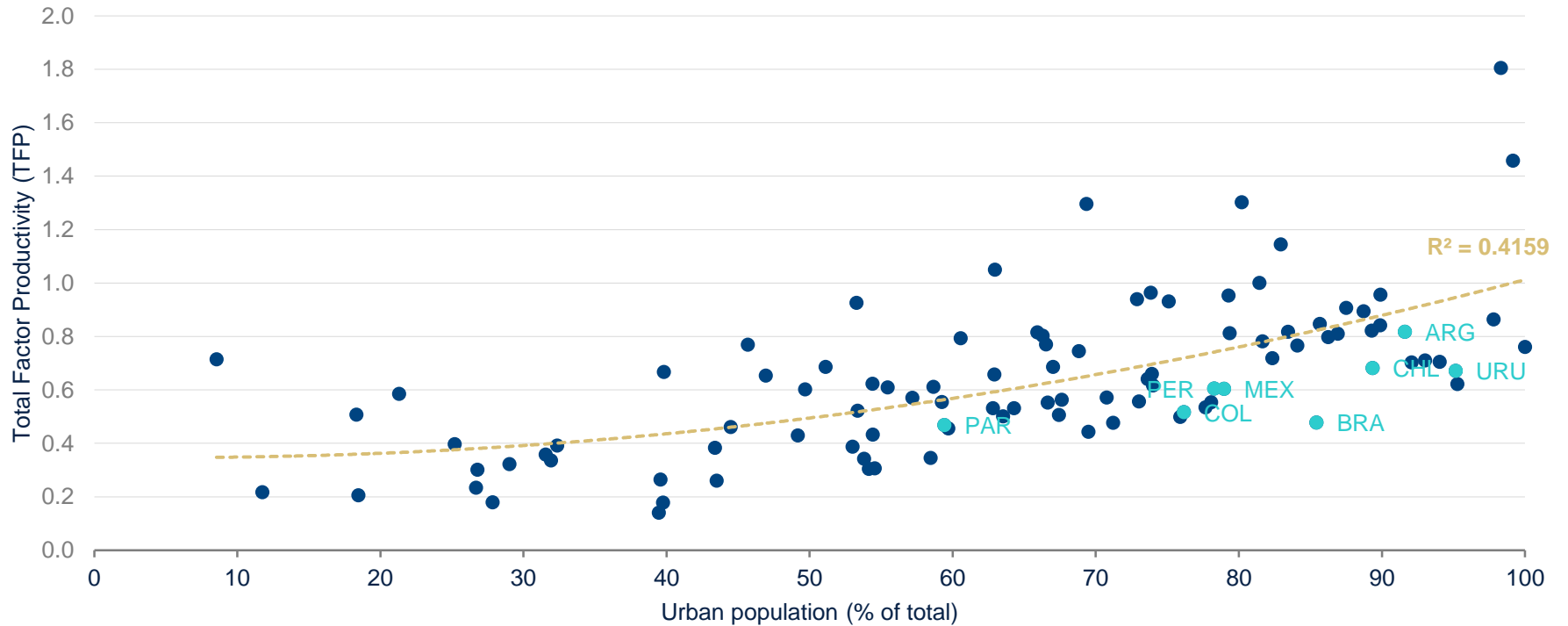
Human capital index and urbanization* (2014)



Source: BBVA Research, World Bank and Penn World Table. * Human capital index based on years of schooling and returns to education; see PWT9 for more information.

Productivity is larger in more urban countries, but comparatively small in Latam

Total factor productivity and urbanization*
(2014)



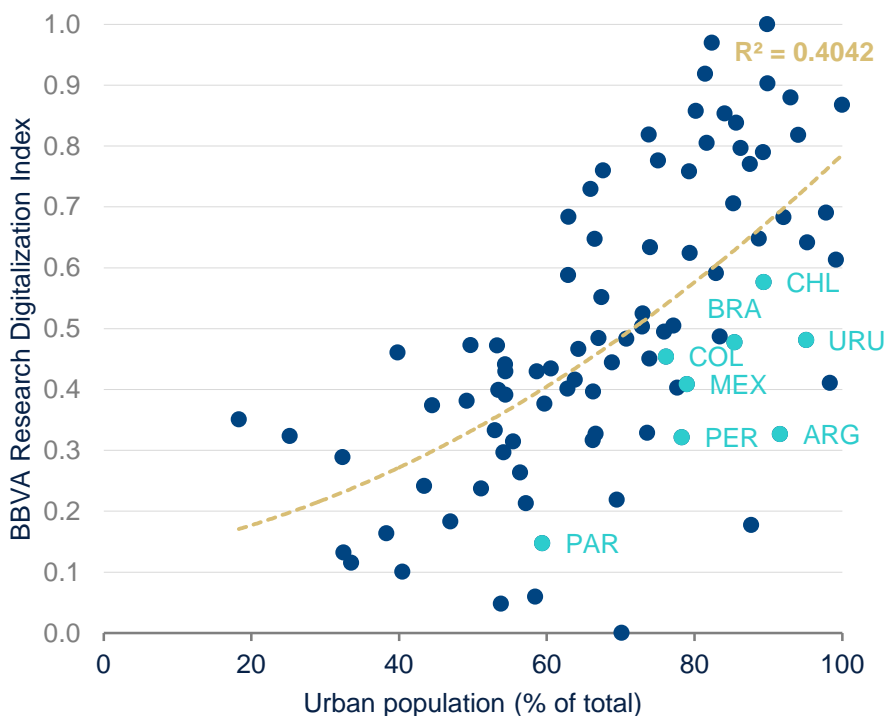
Source: BBVA Research, World Bank and Penn World Table.
* Total factor productivity at current PPPs (USA=1)

3. Digitization and urbanization

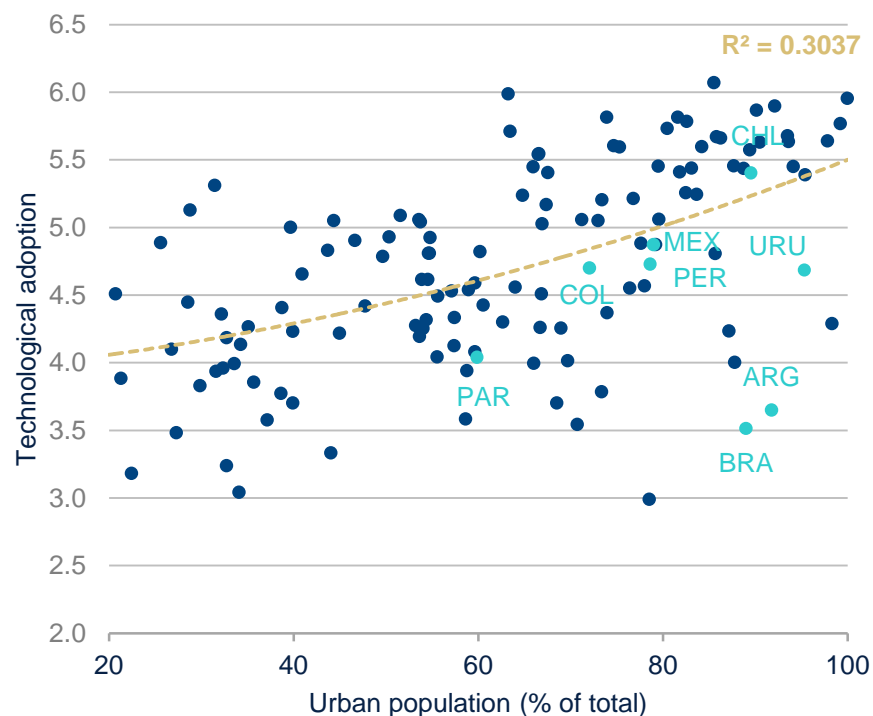


Urbanization entails greater opportunity for digitization; in particular in Latam where technology adoption lags behind

BBVA Research Digitization Index and urbanization*
(2015, scale ranges from 0 (worst) to 1 (best))



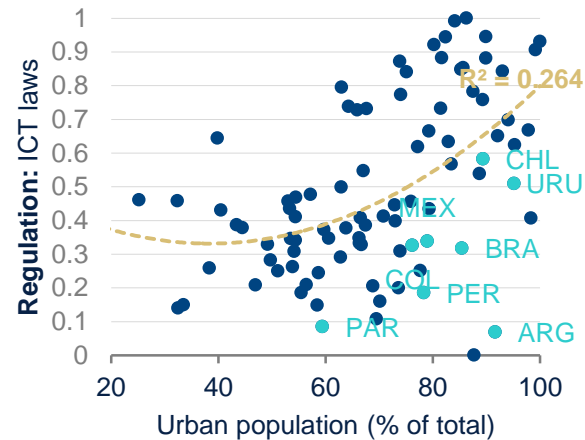
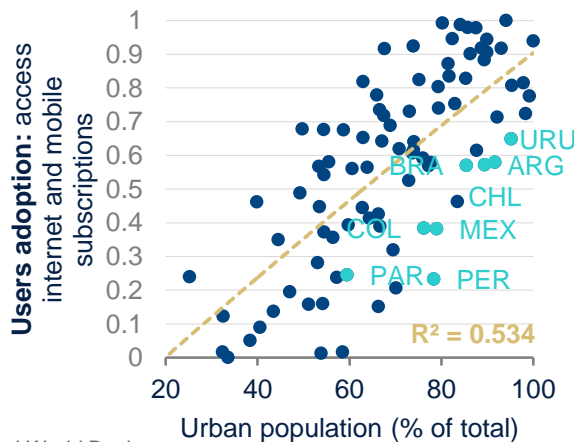
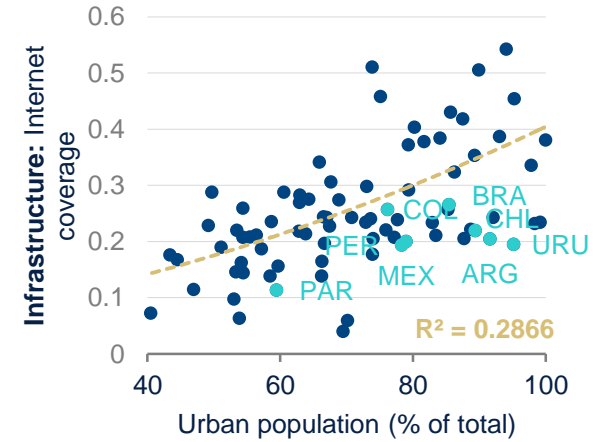
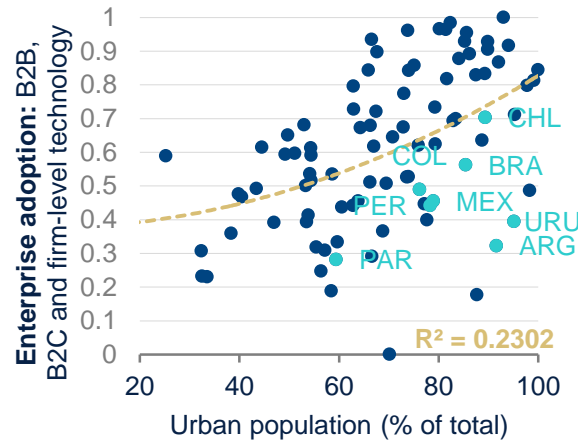
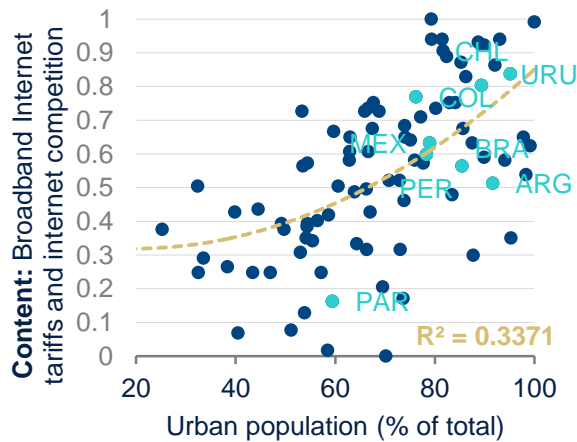
Technology adoption and urbanization
(2015, scale ranges from 1 (worst) to 7 (best))



Source: BBVA Research, We forum and World Bank. *The index contains 21 indicators that are divided in 6 dimensions or sub indices

Urbanization correlates positively with each dimension of the BBVA Digitization Index; Latam underperforms in most of them

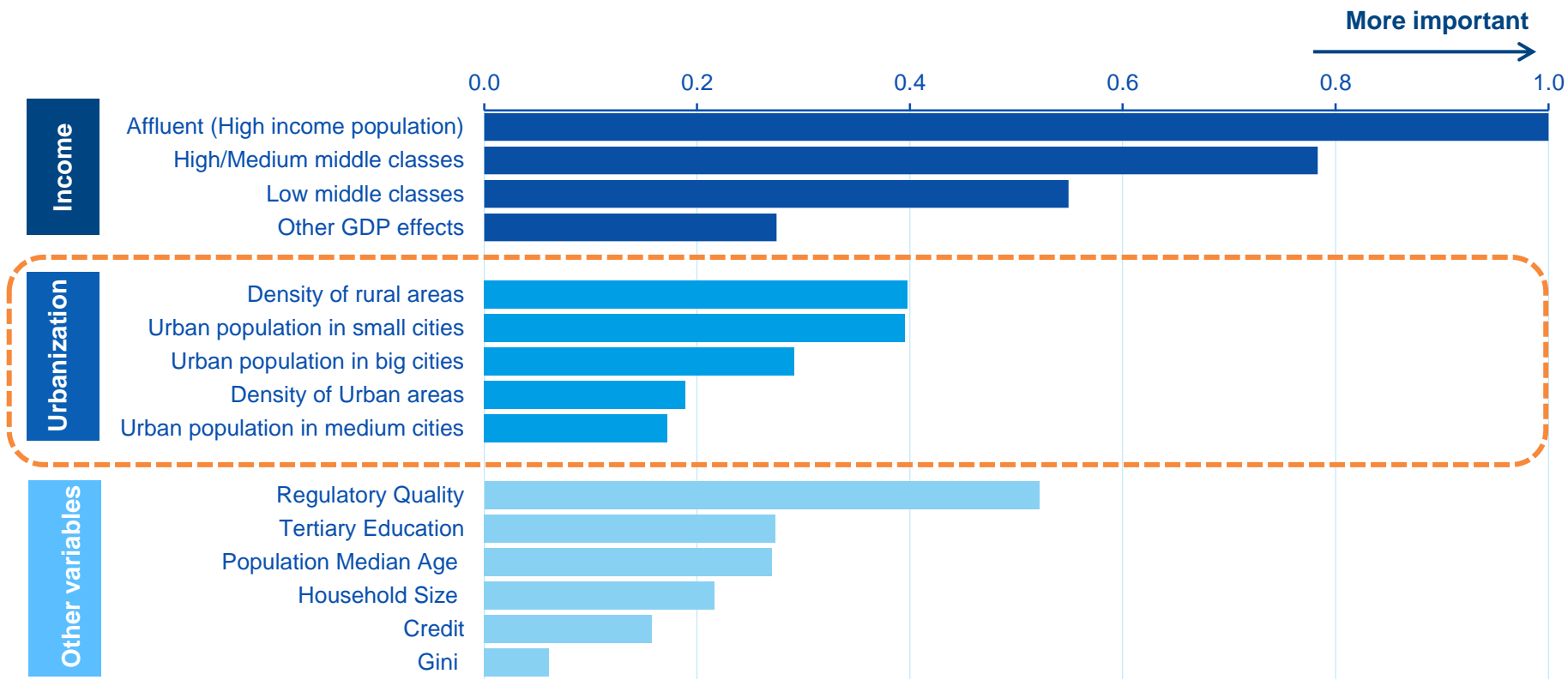
Performance in the different dimensions of the BBVA Research Digitalization index and urbanization (2015, scale range from 0-worst- to 1-best)



Urbanization plays an important role at explaining demand for digital products and services, according to our models

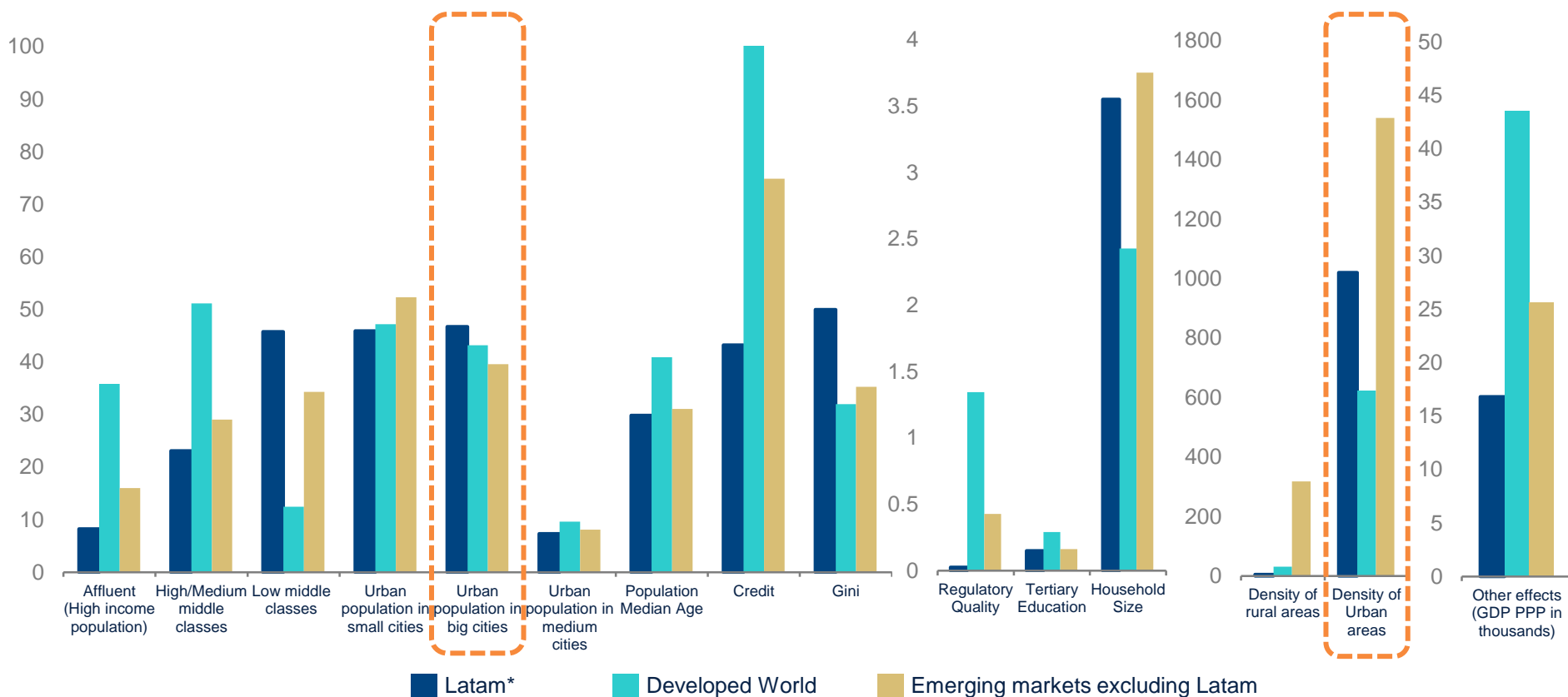
Main drivers of digital banking

(From more important (1) to less important (0); based on the results of BBVA Research digital banking model)



Urbanization-related variables are among the few drivers of digitization in which Latam performs better than developed countries

Main drivers of digital banking (2015)



Source: BBVA Research and United Nations. Aggregation by region using a simple average .
 *Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay and Venezuela

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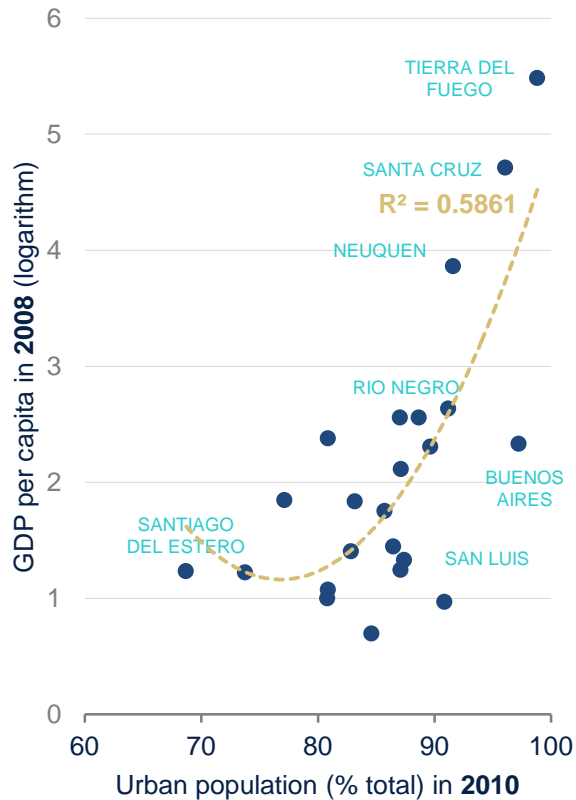
ANNEX



GDP per capita and urbanization are also positively correlated within Latam countries

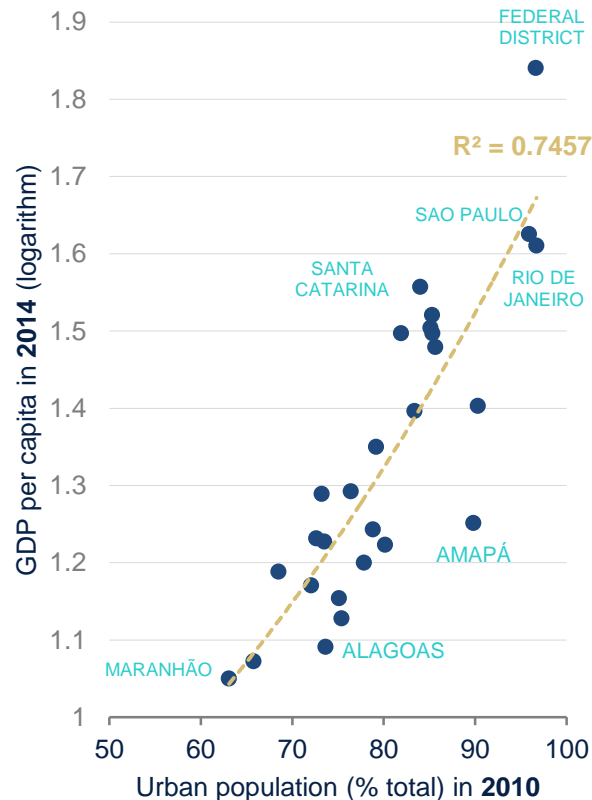
Argentina

(GDP per capita in 2008 and urbanization rates in 2010)



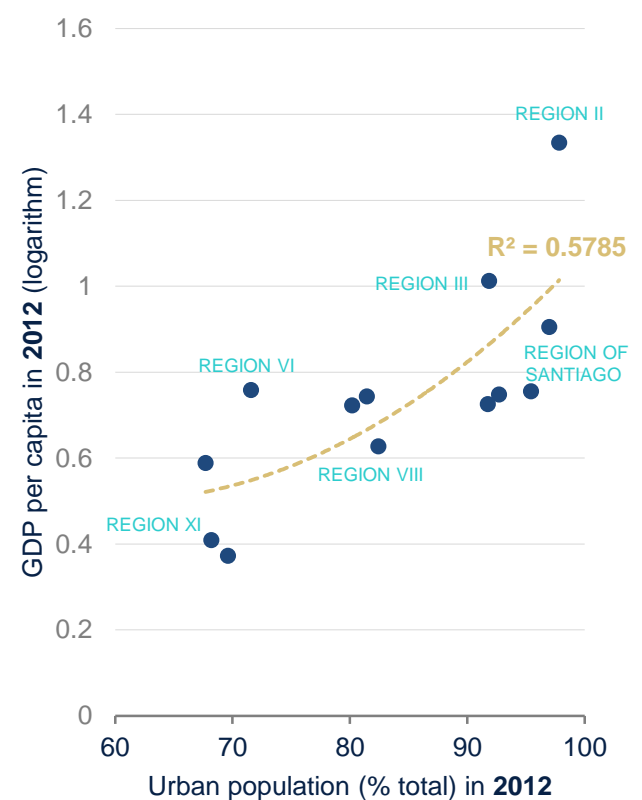
Brazil

(GDP per capita in 2014 and urbanization rates in 2010)



Chile

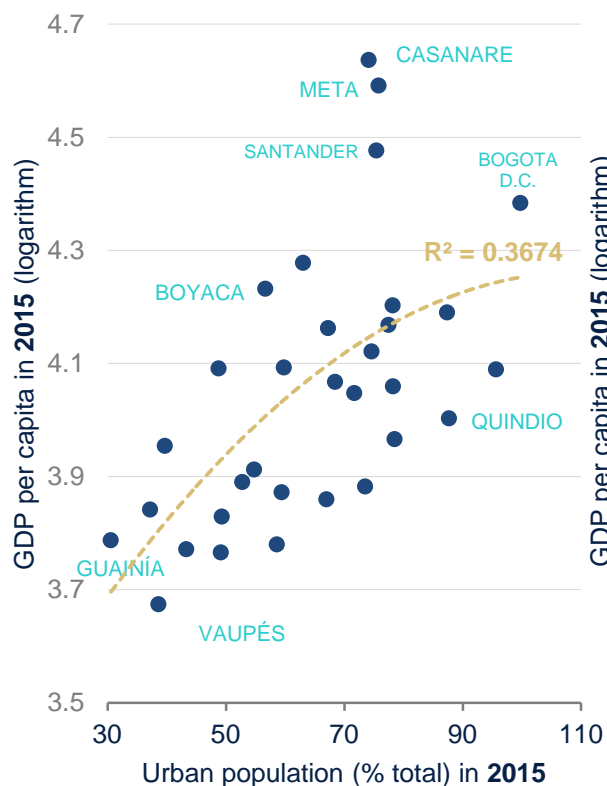
(GDP per capita and urbanization rates in 2012)



GDP per capita and urbanization are also positively correlated within Latam countries

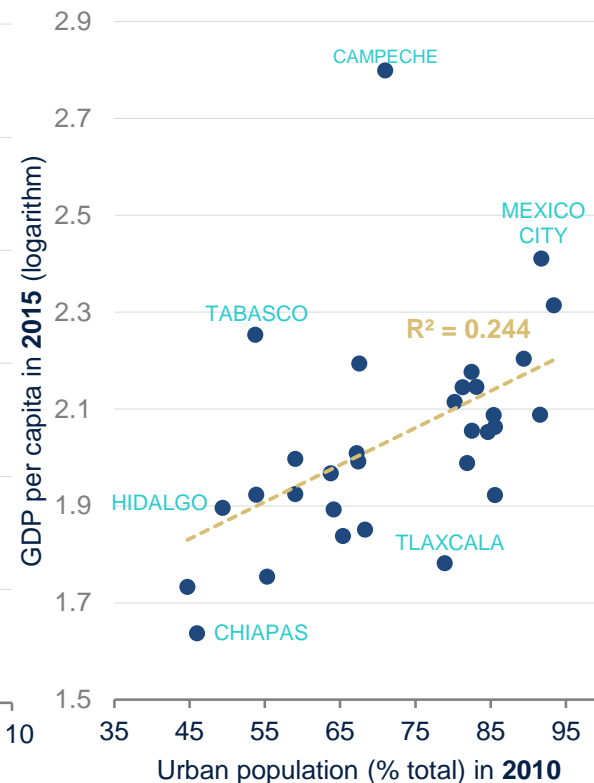
Colombia

(GDP per capita and urbanization rates in 2015)



Mexico

(GDP per capita in 2015 and urbanization rates in 2010)



Peru

(GDP per capita and urbanization rates in 2007)

