

Urbanisation, digitisation and growth in Latin America

Diario El País (Spain)

Enestor Dos Santos / Roberto Maeso Benito

14 Aug 2017

It is little known that Latin America is a region which is as urban as developed economies and much more so than other emerging regions. How can the region take advantage of the opportunities generated by its high level of urbanisation?

The concentration of the population in cities often contributes to economic development because it increases labour supply, generates economies of scale, boosts productivity and productive diversity, among other factors. Thus, countries with higher levels of urbanisation tend to enjoy higher levels of wealth, better infrastructure, more human capital and more advanced technologies.

The process of urbanisation in Latin America was and is very different to that of other emerging regions, as it started earlier and developed more quickly. In 1950, more than 40 % of the Latin American population already lived in urban areas, in contrast to Asia or Africa (18 % and 14 %, respectively). Today, Latin America exhibits levels of urbanisation similar to advanced countries. The proportion of people living in urban areas in the region is currently at 80 %, and countries such as Argentina and Chile have proportions of 92 % and 90 %, respectively, while the European Union has 75 % and Spain 80 %. It is also expected that the pace of growth of urbanisation in Latin America will slow in the coming decades, as it is logical given the high standards already achieved.

However, Latin American countries have relatively poor economic indicators because of their high level of urbanisation. That is, economic progress in the region has been small despite the strong momentum generated by the significant increase in urban population. Unlike other regions, Latin America has not been able to explore the full potential of urbanisation. In this sense, there may have been negative influences from, for example, the lack of appropriate urban planning and the lack of dynamism in the manufacturing sector.

More than regretting missed opportunities, Latin America needs to look forward and to define strategies that take advantage of these urban agglomerations. One of the dimensions of this is the adaptation to the new digital era. It is important to remember that both demand for and supply of digital products and services tend to benefit from urban agglomerations. For this reason, Latin American countries should consider the adoption of policies that accommodate new opportunities generated by the fourth industrial revolution. The high rates of urbanisation and urban density are comparative advantages that Latin American countries should explore.

In short, Latin America has the mass of urban population needed to reap the benefits derived from public policies that prioritise the improvement of productivity and insertion in the new digital economy.

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.