

# The Economist

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Briefing Latin America's new look

Faster growth, low inflation, expanding credit and liberal trade are helping to create a new middle class



**Briefing Latin America's new middle class** Something rather remarkable is happening: leader, page 10. Faster growth, low inflation, expanding credit and liberal trade are driving the growth of a new middle class, pages 22-24.

Tens of millions of such people are the main beneficiaries of the region's hard-won economic stability and recent economic growth. Having left poverty behind, their incipient prosperity is driving the rapid growth of a mass consumer market in a region long notorious for the searing contrast between a small privileged elite and a poor majority. Their advent also promises to transform the region's politics.

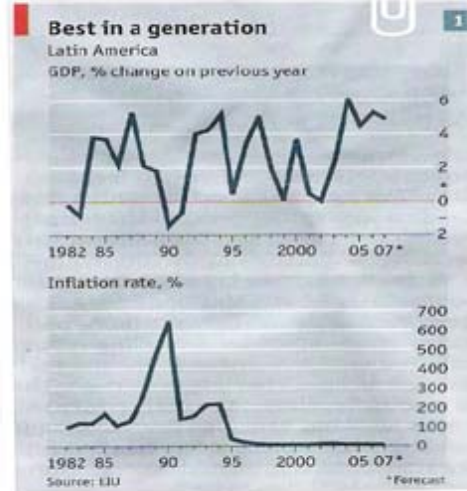
In Brazil between 2000 and 2005 the number of households with an annual income of \$5,900 to \$22,000 grew by half, from 14.5m to 22.3m, while those receiving less than \$3,000 a year fell sharply to just 1.3m (see chart 2).

In Latin America as a whole, according to calculations by Banco Santander, a Spanish bank, some 15m households ceased to be poor between 2002 and 2006. If the trend continues, by 2010 a small majority in the region will have joined the middle class, with annual incomes above \$12,090 in purchasing-power-parity terms (see chart 3).

Credit is still much scarcer than in developed countries, but it is growing fast: in Brazil, for example, the stock of credit has risen to 32% of GDP from 21% in 2002.

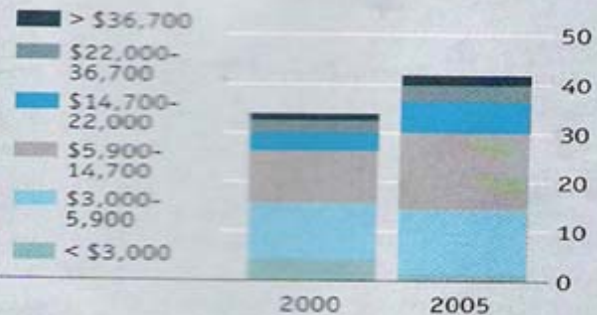
It typically starts with consumer loans for cars and durable goods, and moves on to mortgages.

The new middle class is more self-reliant. Above all, it has benefited from economic stability. Since it has much to lose from political adventurism, it could become a force for political stability as well. ■



### Brazilian bounce

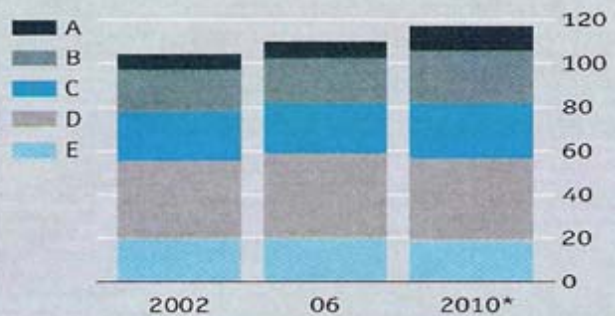
Brazil, households by annual income band\*, m



Sources: Target; Ganda; McKinsey

### Expanding middle

Latin America, households by annual income band, m



2006 income bands, US \$ at PPP:

A > 19,134; B > 14,641; C > 10,708; D > 4,714; E < 4,714

Sources: Santander; ECLAC

\*Forecast