



# Global economic outlook and Latin America

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For additional information, please read carefully the notice at the end of this presentation.

# Transitioning from the post-financial crisis world

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Latin America stuck in the middle of all



US recovery and FED  
interest-rate liftoff

China's slowdown, deleverage  
and demand rebalancing

# Agenda

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## My five key takeaways from the Lima meetings



**2015**  
**LIMA**  
ANNUAL MEETINGS  
WORLD BANK GROUP  
INTERNATIONAL MONETARY FUND

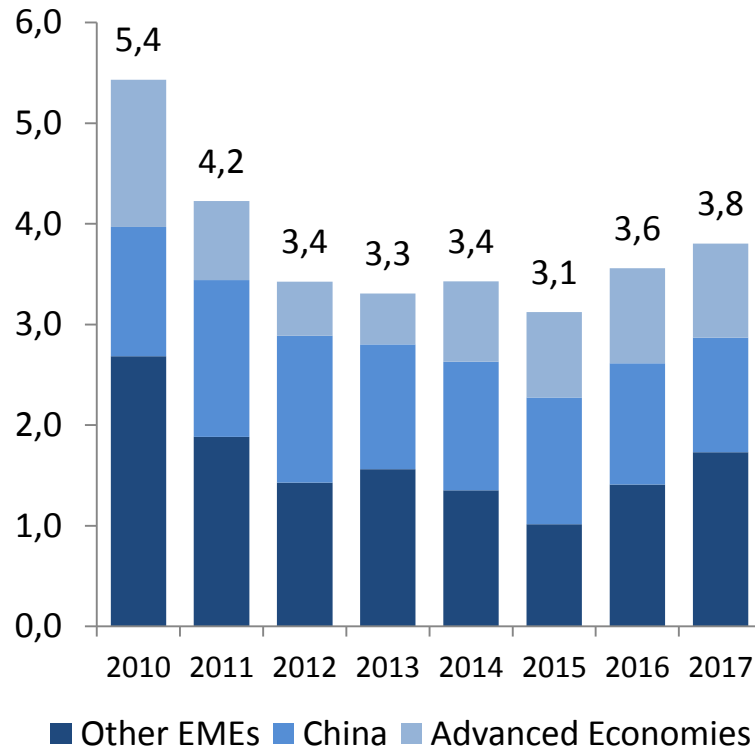
# 1 Global growth rotation and the “new mediocrity”

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# Mediocre global outlook, but not the end of the world

## World GDP growth (% y/y, PPP adjusted)

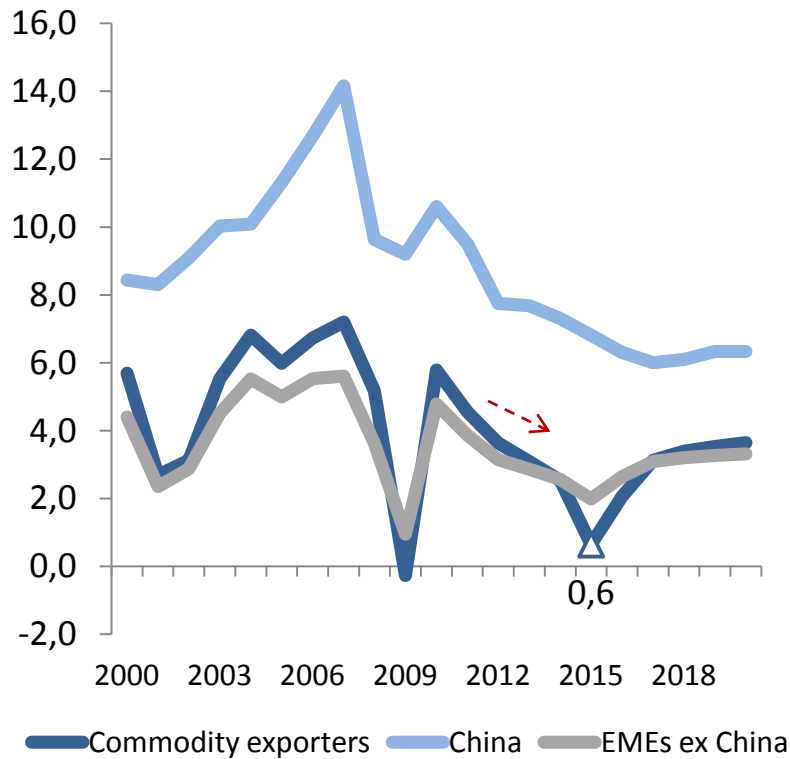


	<u>2015</u>	<u>2016</u>	<u>2017-20</u>
<u>World</u>	<u>3.1</u>	<u>3.6</u>	<u>3.9</u>
AECs	2.0	2.2	2.1
US	2.6	2.8	3.4
EMEs	4.0	4.5	5.1
China	6.8	6.3	6.2

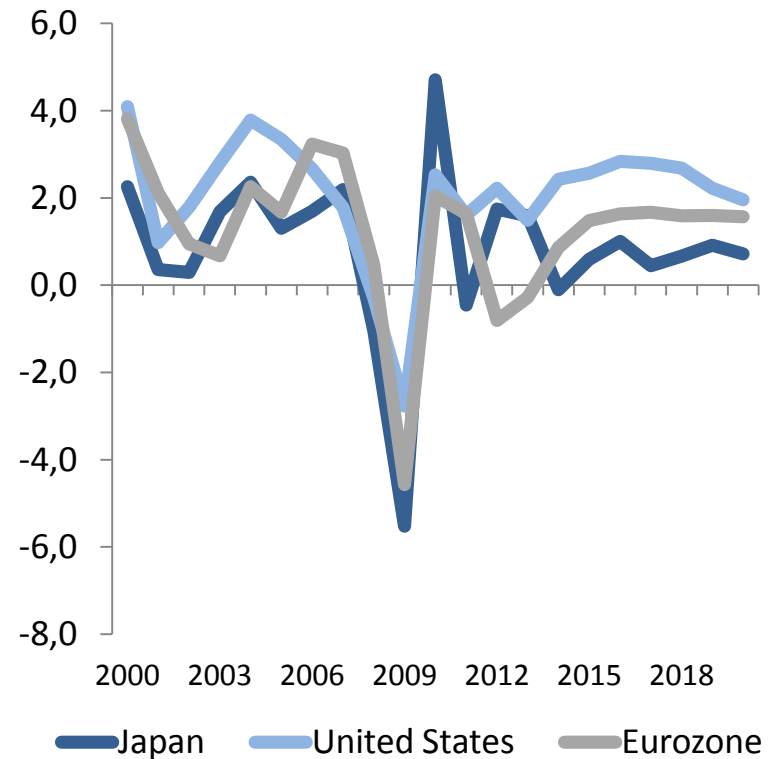
# Global growth rotation

## EMs and resource exporters slowdown, modest pickup in AEs

### Emerging economies (GDP %y/y)



### Advanced economies (GDP %y/y)





## 2 Commodities glut to drag on

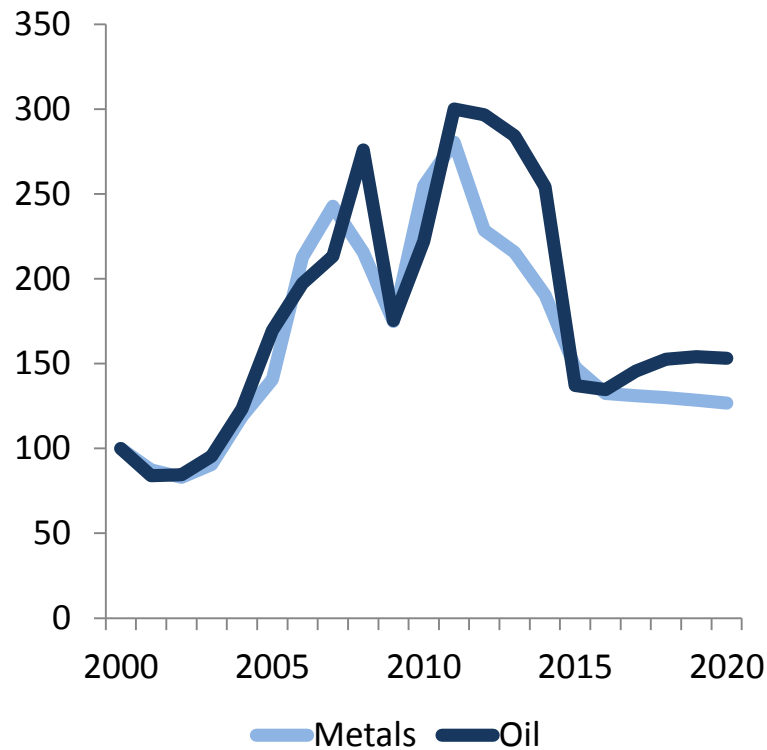
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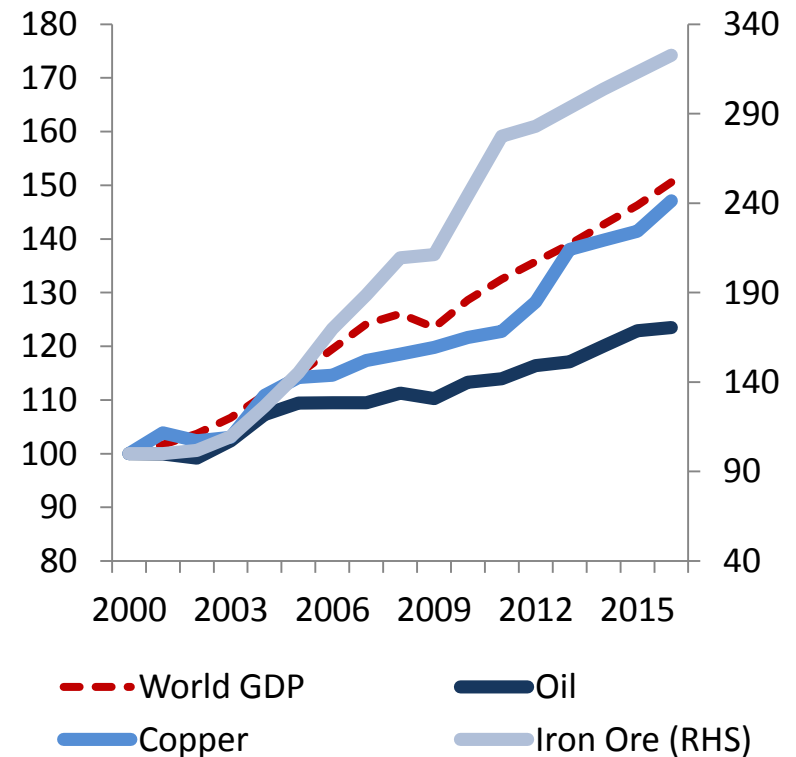
# Commodities prices to remain “low-for-long”

Faltering demand, new capacity and lower production costs

## Metals & oil real prices (index, 2000=100)



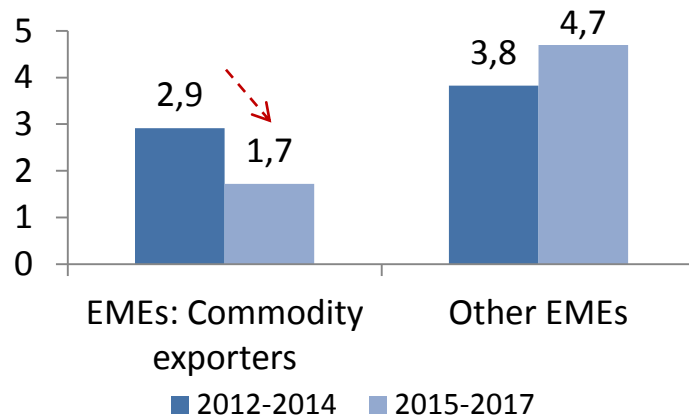
## Metals & oil world production (2000=100)



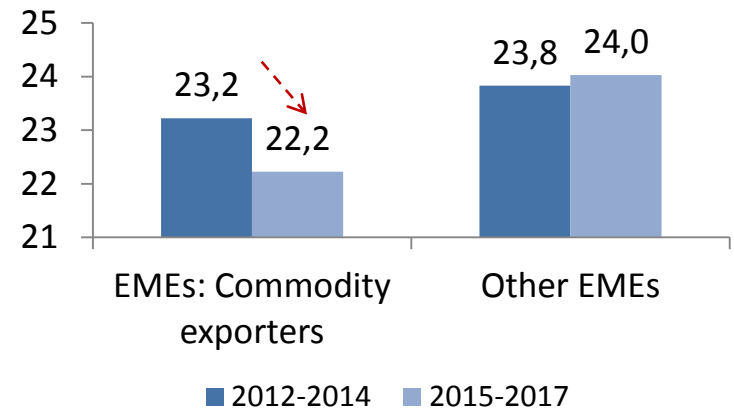


# Commodity exporters will face an uphill climb

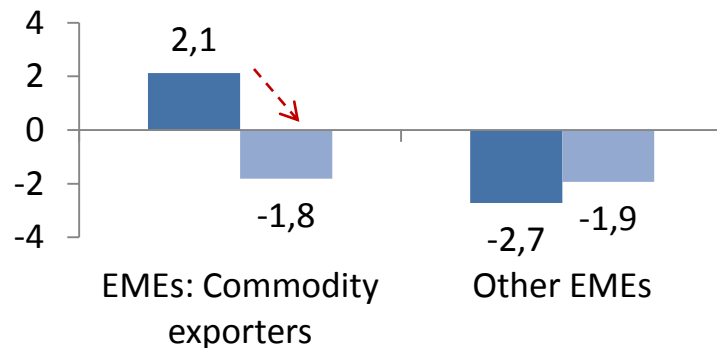
## GDP growth (% y/y)



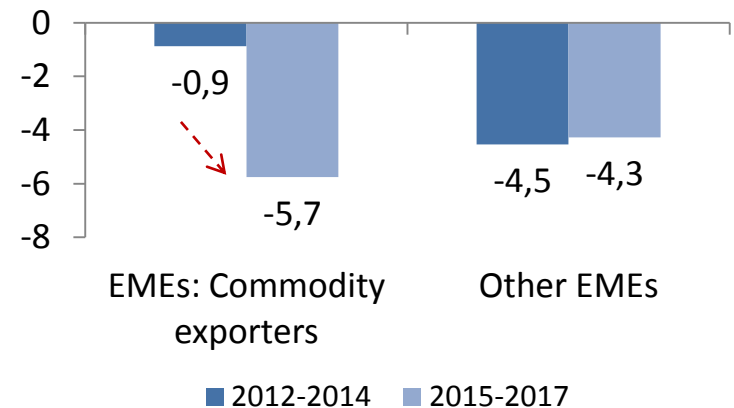
## Investment (% GDP)



## Current account balance (% GDP)

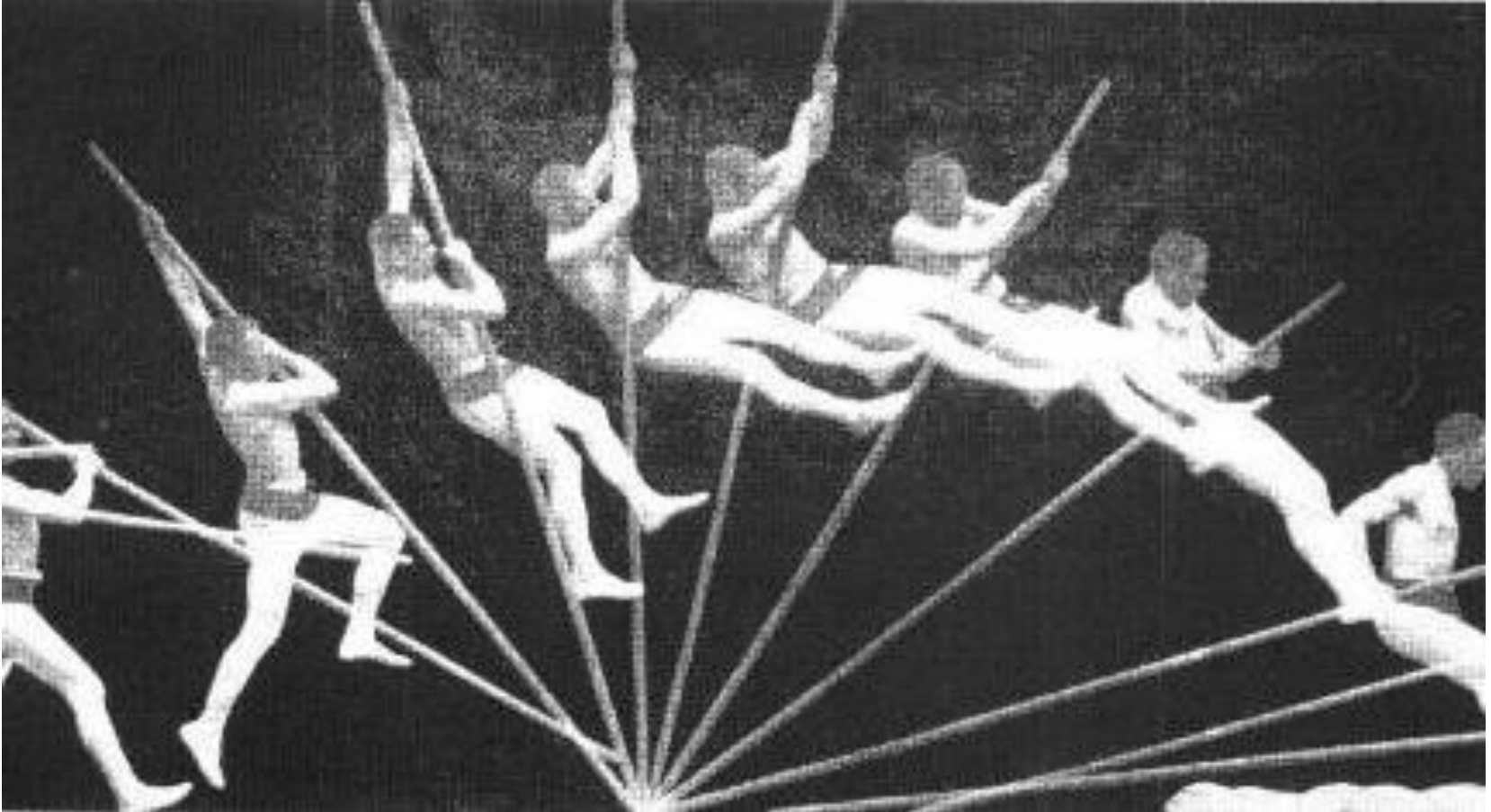


## Fiscal balance (% GDP)



### 3 Risk rotation and capital retrenchment from EMEs

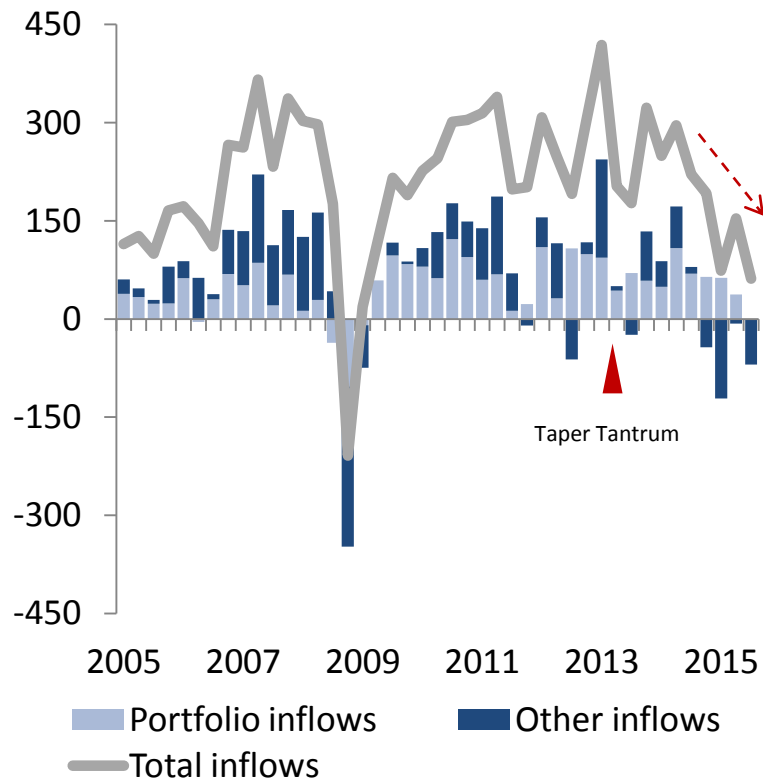
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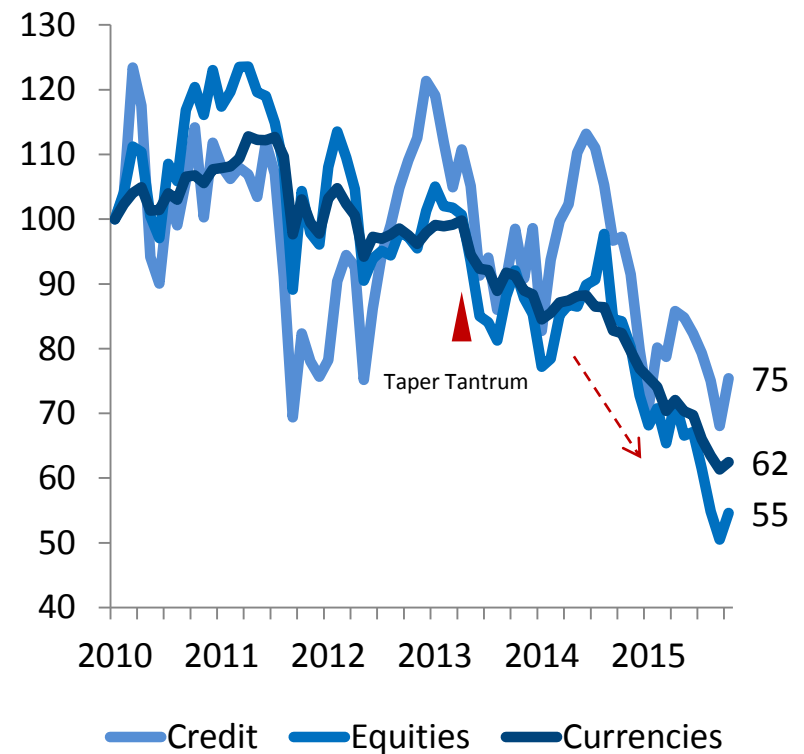
# Tighter financial conditions in EMs will continue

Fear of the FED, weaker growth and external deficits

## Capital inflows to EMEs (US\$ billions)



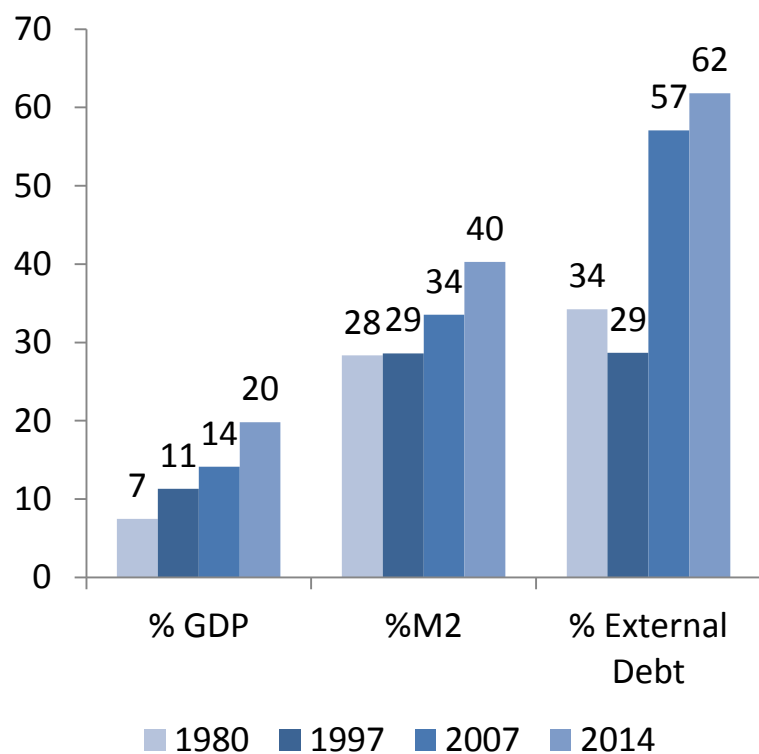
## Asset prices in LatAm (January 2010=100)



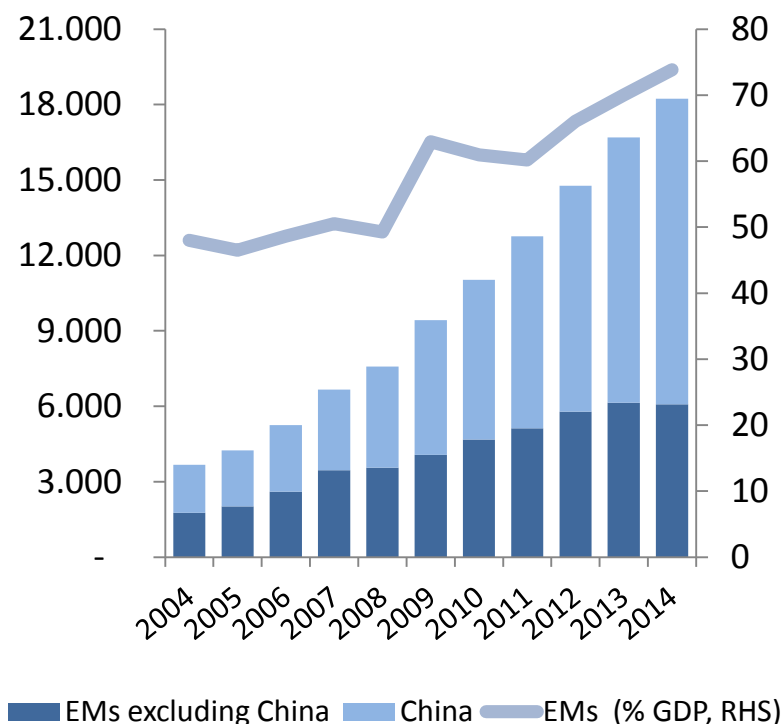
# Stronger national and sovereign balance sheets in EMs

## But higher leverage of non-financial corporations in EMs

### International Reserves in LatAm-6 (%)



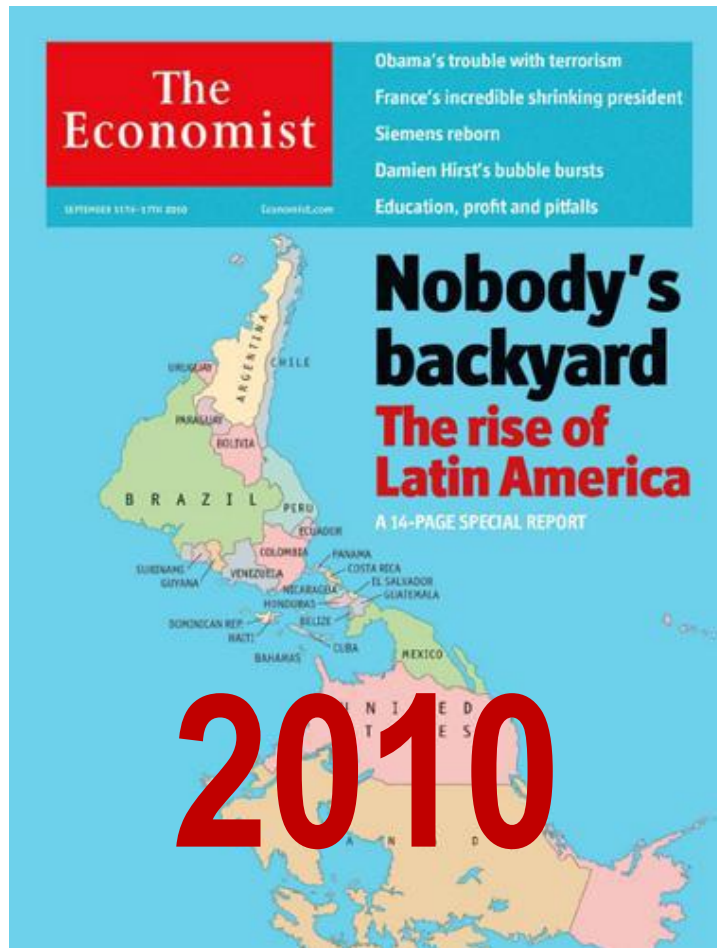
### Corporate debt in EMs (US\$bn)



LatAm-6 corresponds to the simple average of Brazil, Chile, Colombia, Mexico, Peru and Uruguay

# 4 Latin America's "golden years" are over

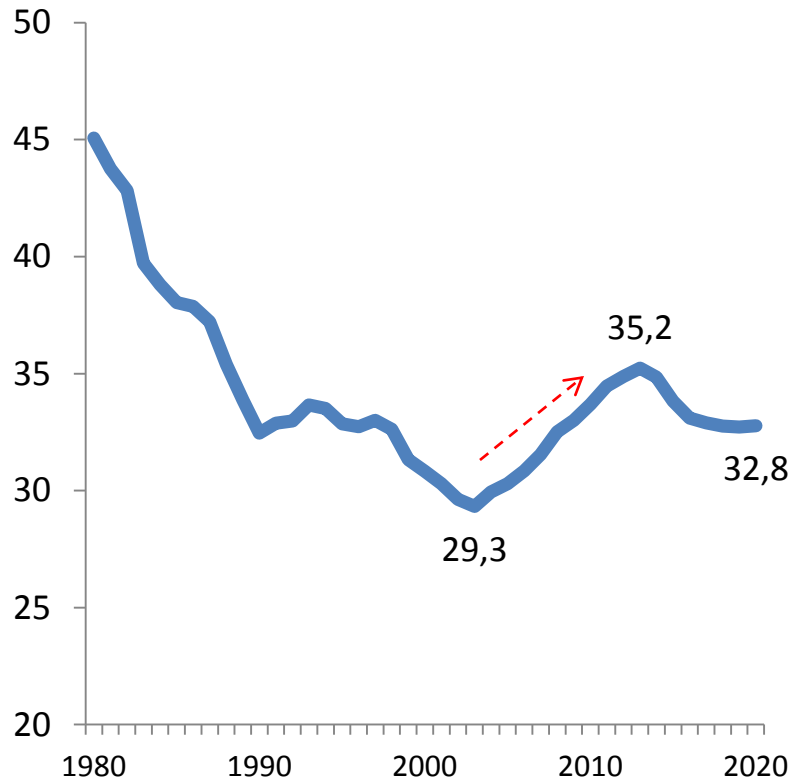
And they will not return for a long time



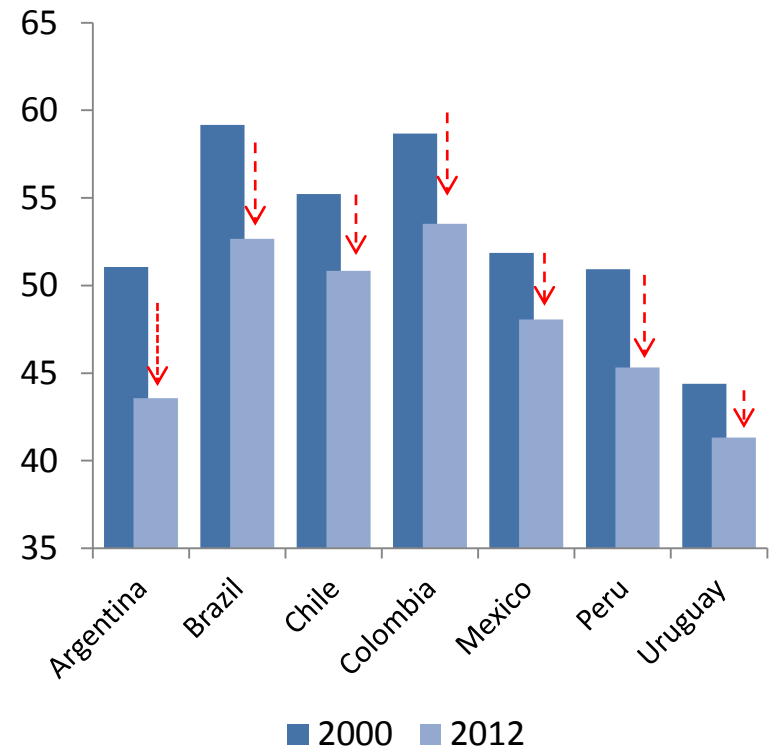
# Latin America's Golden Decade: 2004-13

## Rising GDP per head, falling poverty and lower inequality

LatAm GDP per head (% advanced econ., PPP)



LatAm income distribution (Gini Index)





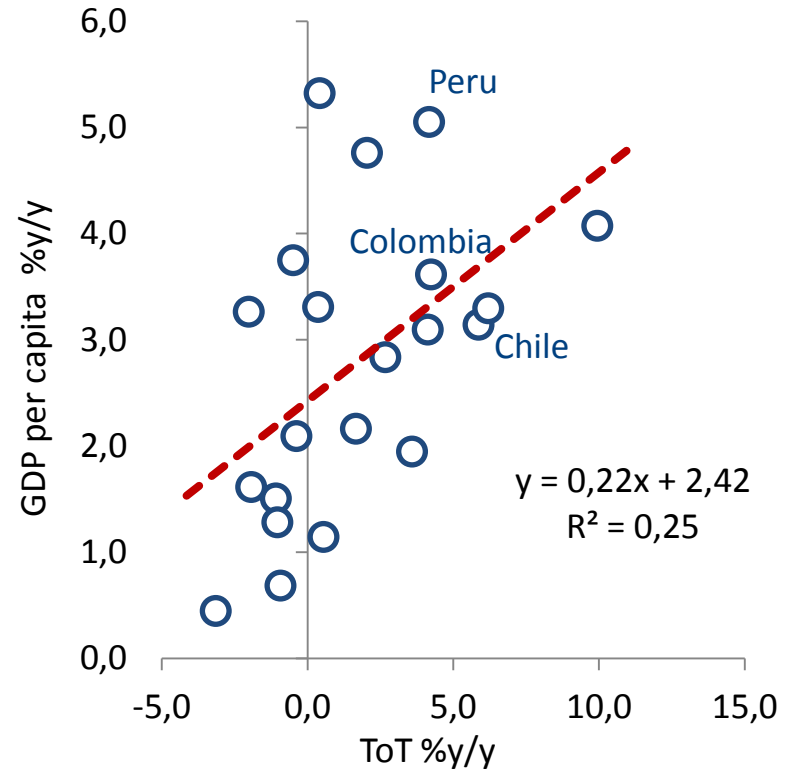
# China and the commodities super-cycle

It was good while it lasted

LatAm & China GDP growth (% y/y)



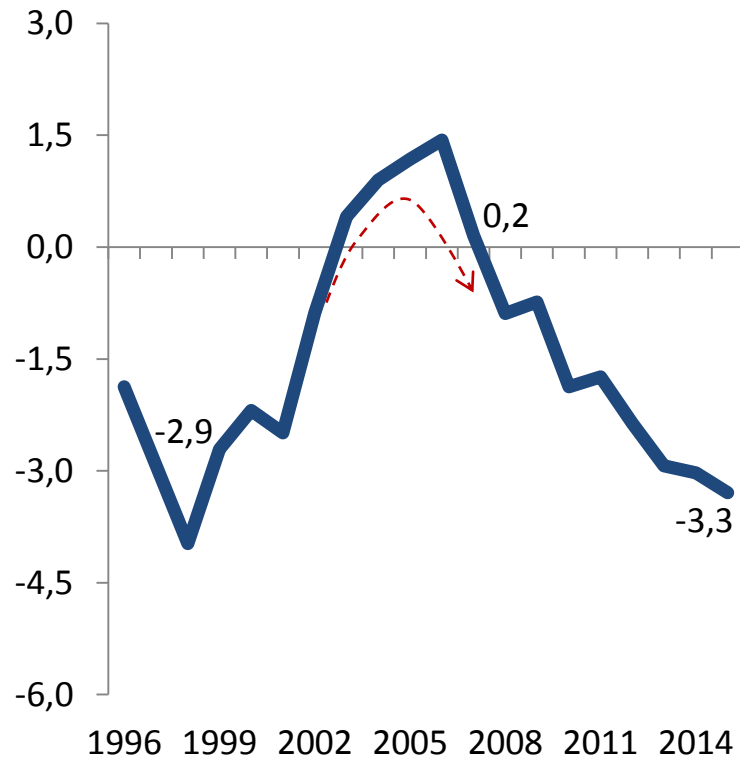
LatAm GDP & ToT (% y/y, avg. 2004-13)



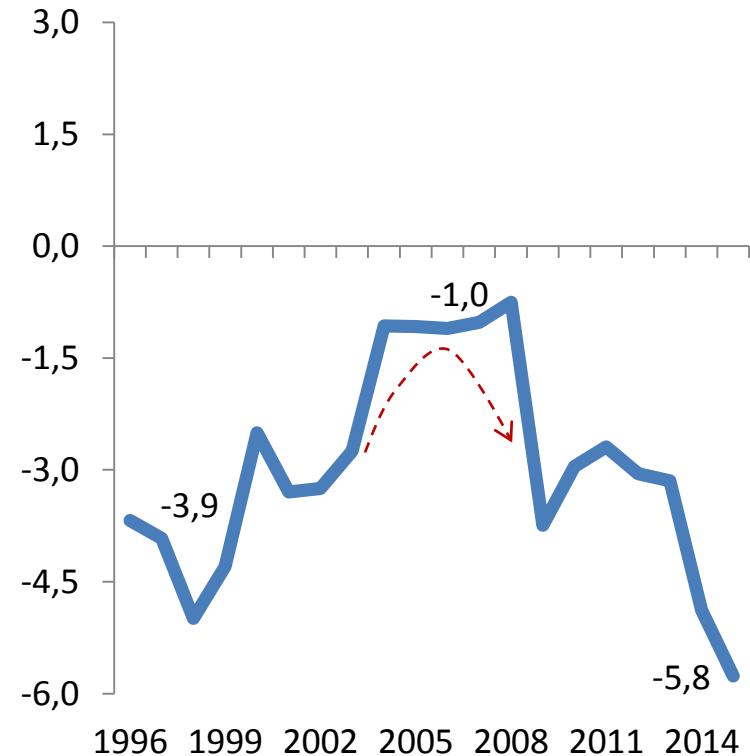
# Rising fiscal and external gaps after the 2008/09 crisis

Funded mainly through FDI and local currency debt

LatAm current account deficit (% GDP)



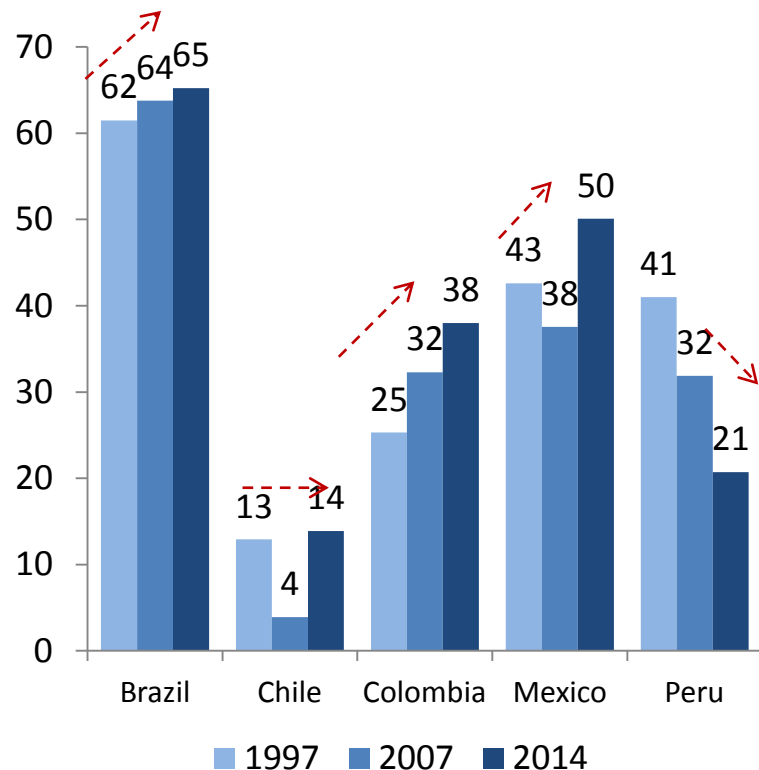
LatAm fiscal deficit (% GDP)



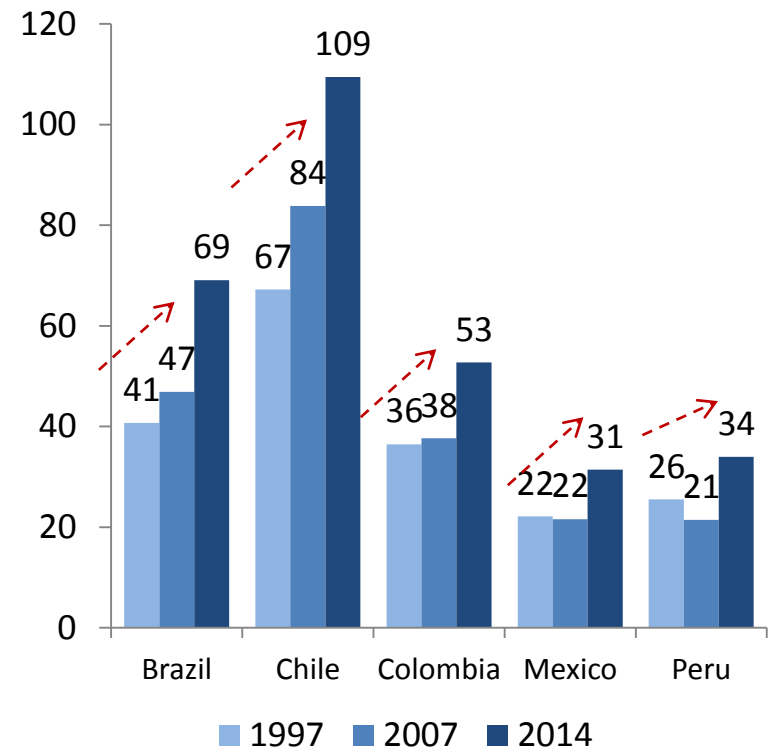
# Rising public and private leverage

## Loose monetary and fiscal policies after the crisis

### Gross government debt (% GDP)

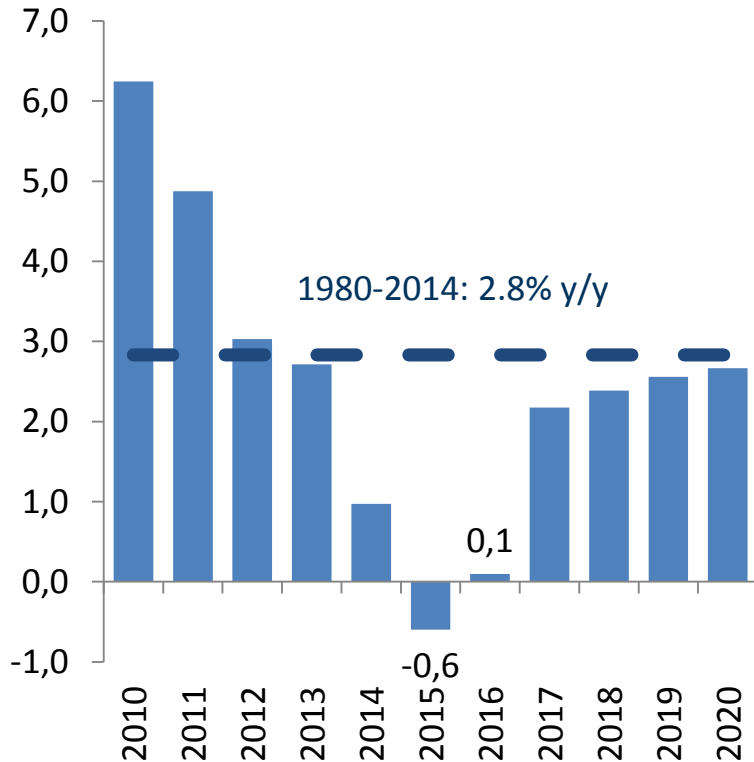


### Domestic credit private sector (% GDP)



# Low and uneven growth in LatAm

Latam-8 GDP growth (% y/y, PPP adjusted)



	<u>2015</u>	<u>2016</u>	<u>2017-20</u>
<u>LatAm-8</u>	<u>-0.6</u>	<u>0.1</u>	<u>2.4</u>
Mercosur	-2,8	-1,9	1,7
Brazil	-3.1	-2.0	2.1
Pacific Alliance	2,4	2,7	3,5
Mexico	2,3	2,8	3,2
Andean-3	2,6	3,7	3.8

LatAm-8 corresponds to the GDP weighted average of Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela.

# 5 2016 is at the crossroads

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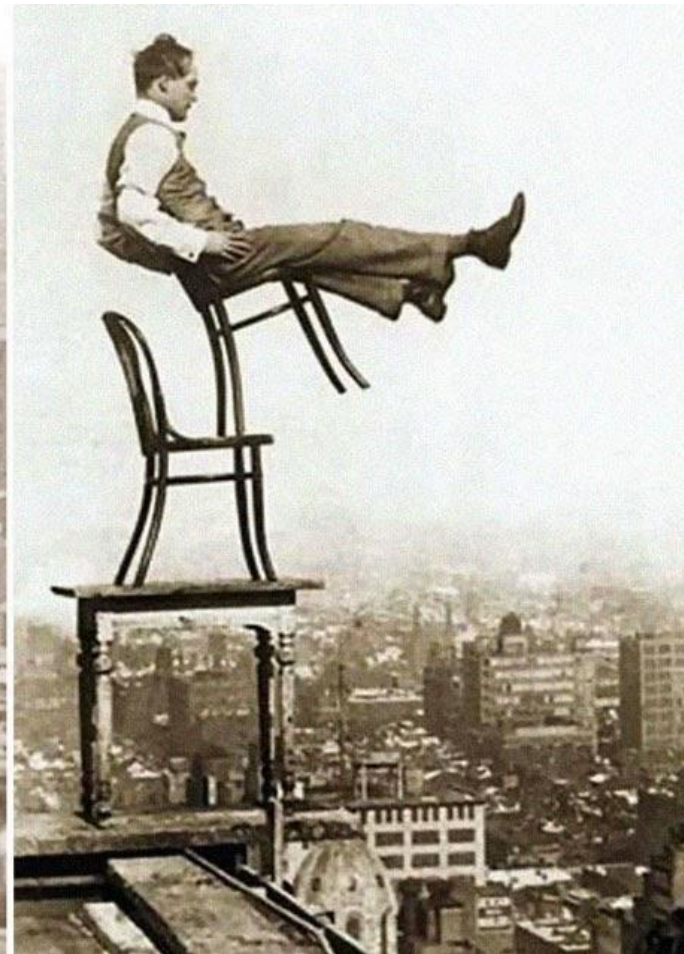
Smooth normalization or going from mediocre to miserable



# China slowdown, deleverage and demand rebalancing

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## A tough balancing act





# U.S. Fed interest rate liftoff

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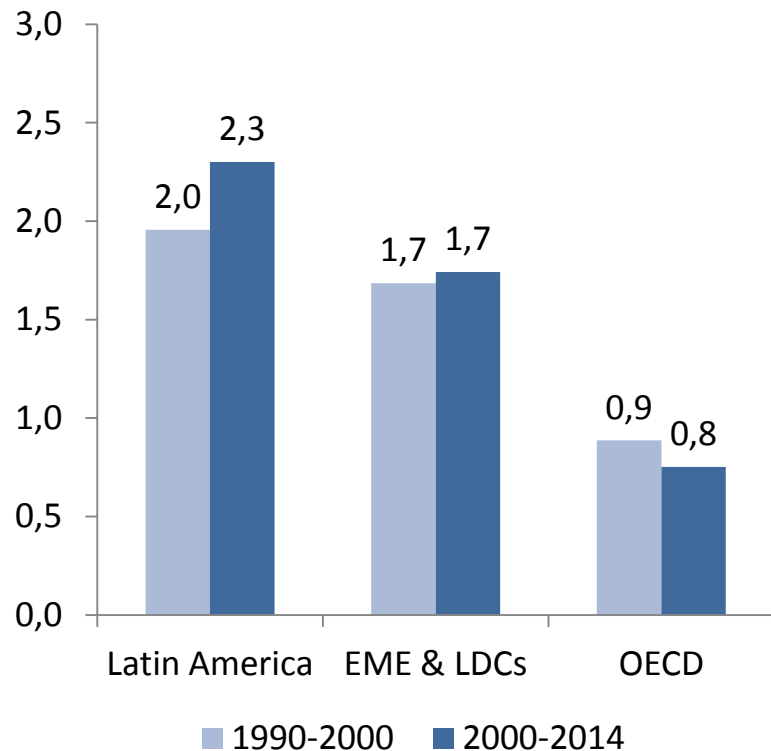
Which way?



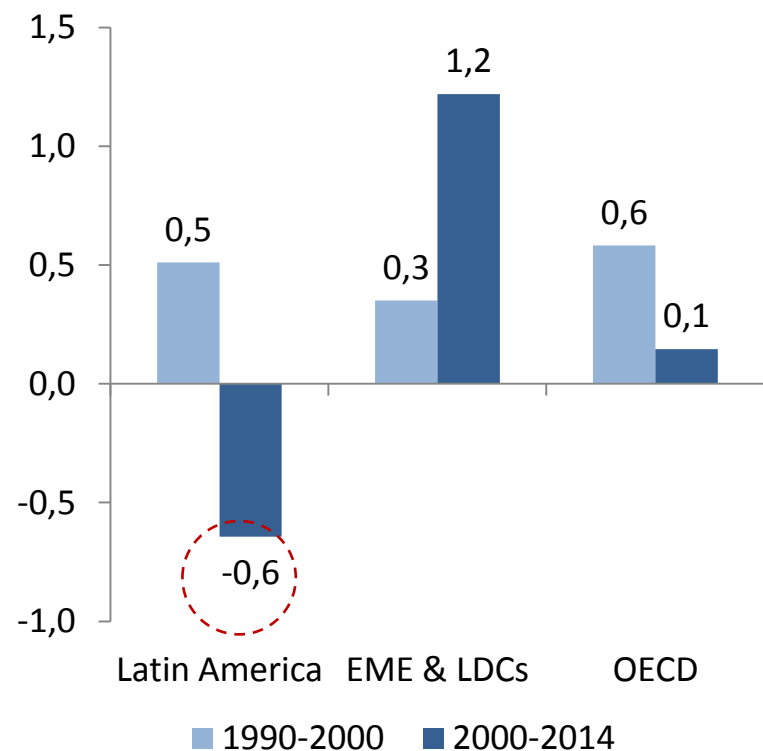
# Negative TFP growth in Latin America

## Economic growth driven by labor and capital accumulation

Labor growth: LatAm vs RoW (% y/y)



TFP growth: LatAm vs RoW (% y/y)





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