

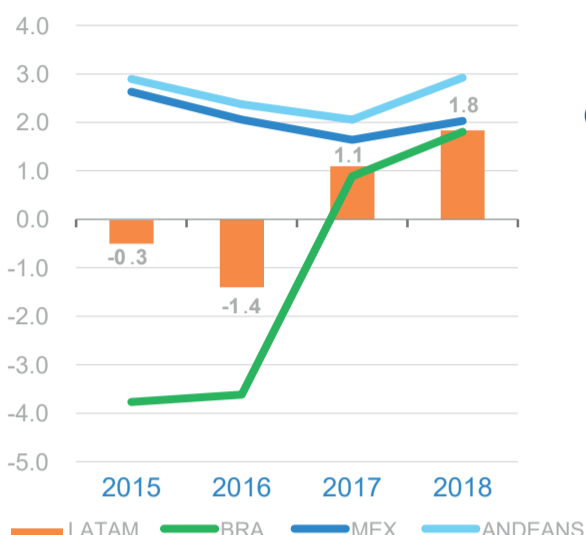
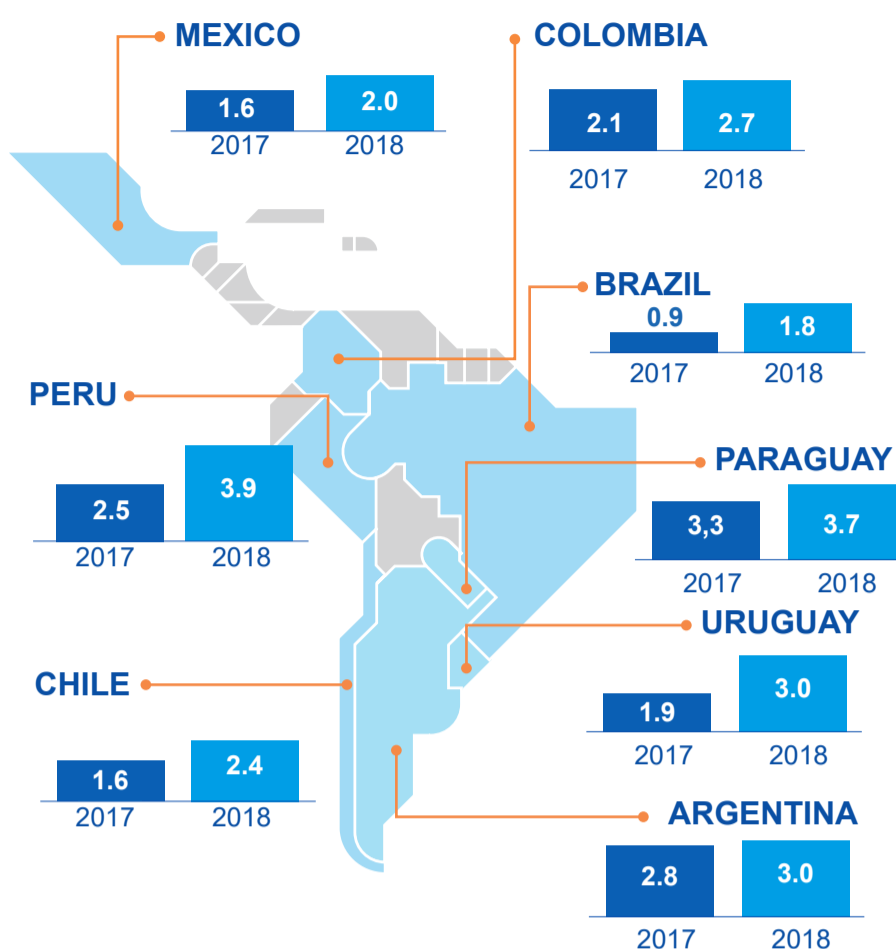
Latin America Economic outlook 2Q17

Heterogeneous Recovery

Recovery in Argentina and Brazil. A shallower downturn in Mexico

- The downturn in Latin America ends. Growth is expected to increase from -1.4% in 2016 to 1.1% in 2017 and 1.8% in 2018.
- The recovery in Argentina is taking hold. Brazil leaves the recession behind.
- The downturn in Mexico will be shallower than forecast, thanks to less aggressive policies in the US.

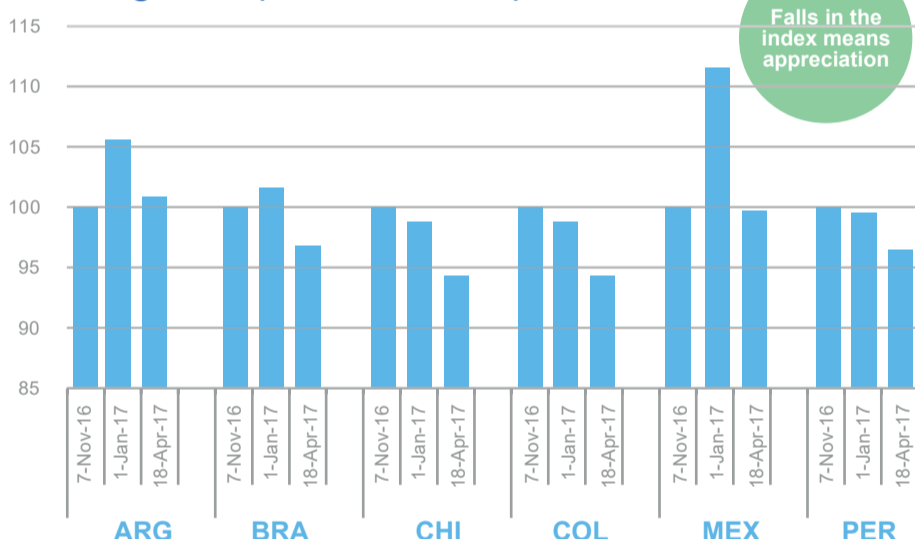
GDP growth



Markets: calm in South America and recovery in Mexico

- **Mexico:** strong recovery in the price of Mexican assets since the beginning of the year, in line with a softer tone concerning future trade policy with the US.
- **South America:** Markets continue to post gains in the last quarter.

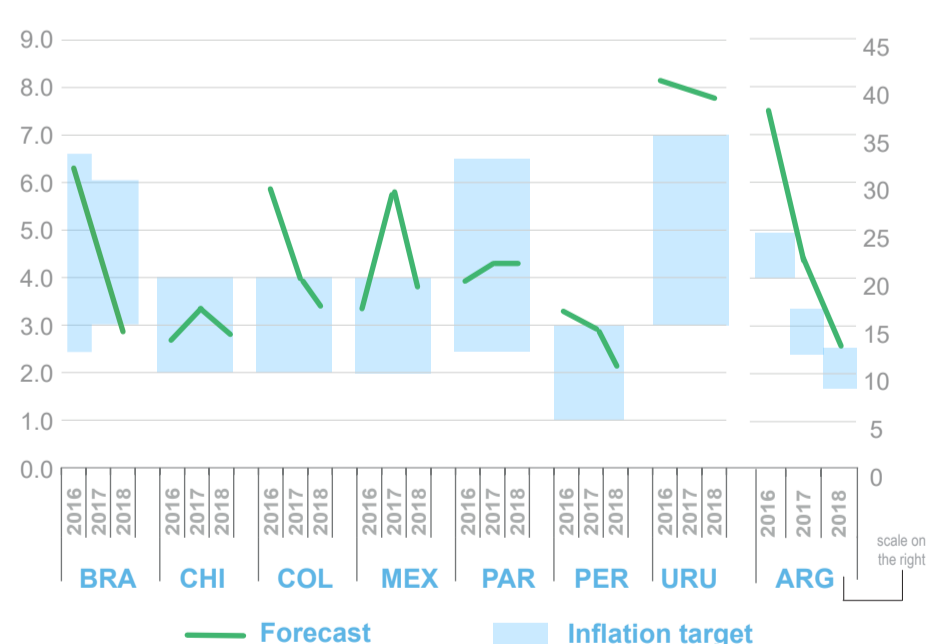
Exchange rate (7 Nov. 16 = 100)



Inflation and Central Banks: easing, except in Mexico

- The convergence of inflation with the targets set by South American Central Banks continues.
- In Mexico inflation will continue to increase in 2017, although less than previously forecast.
- Reductions in interest rates in South America will mark the difference vis-à-vis the Fed.

Inflation: Actual and forecast
December of each year



Risks: external risks abate in the short term, but political noise subsists in the region

EXTERNAL FACTORS

- Structural imbalances in China not being addressed
- Risk of protectionist trade policies in the US.
- Risks associated with the monetary policy normalisation process in the US.



IDIOSYNCRATIC FACTORS

- Political noise
- Cases of corruption
- Possible delays in infrastructure projects

