

# Latin America Economic Outlook

1Q18

## Macroeconomic context

Recovery toward a new normal in Latin America



Recovery is underway in most countries



We are revising growth forecasts upwards in the majority of South American countries

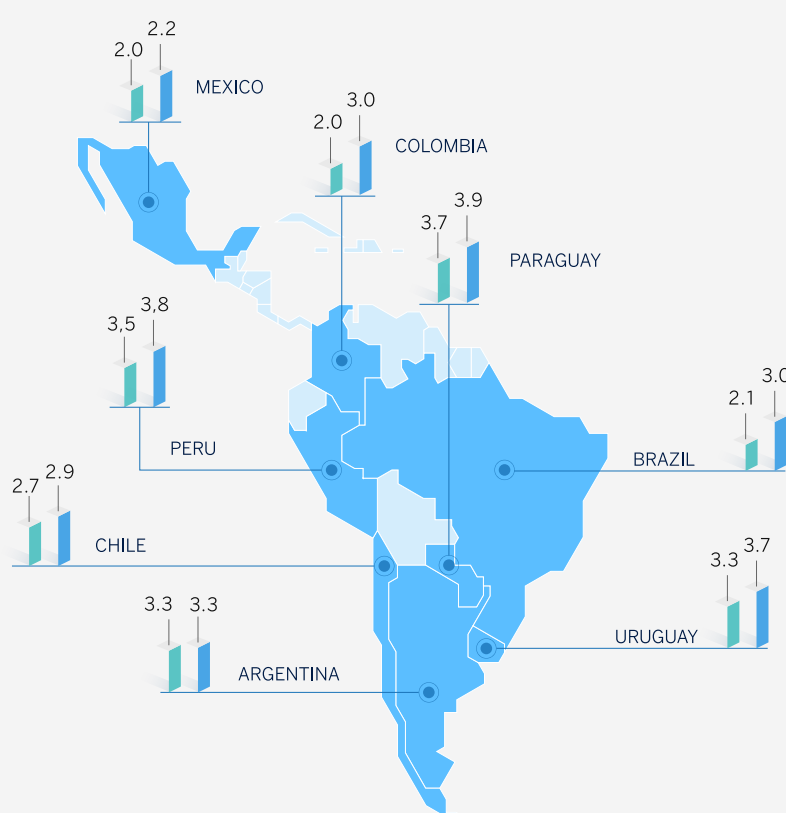


Growth close to the new potential in 2019

2018 2019

GDP LatAm (% y/y)

1.7 2018  
2.5 2019

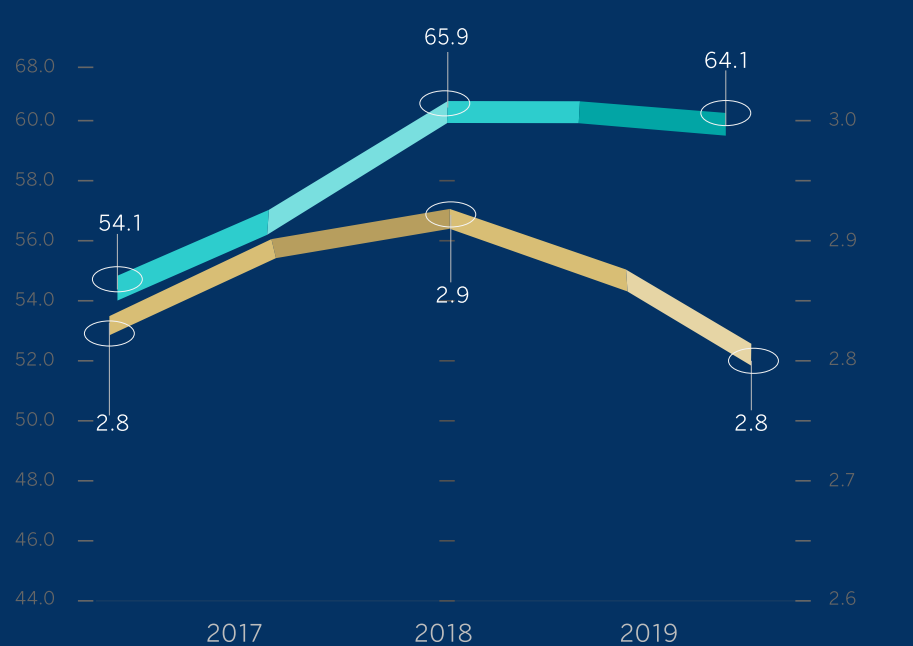


## Financial Markets and monetary policy

The increase in commodity prices has been counterbalanced by a **tighter Fed outlook**

### Oil and copper prices (annual average)

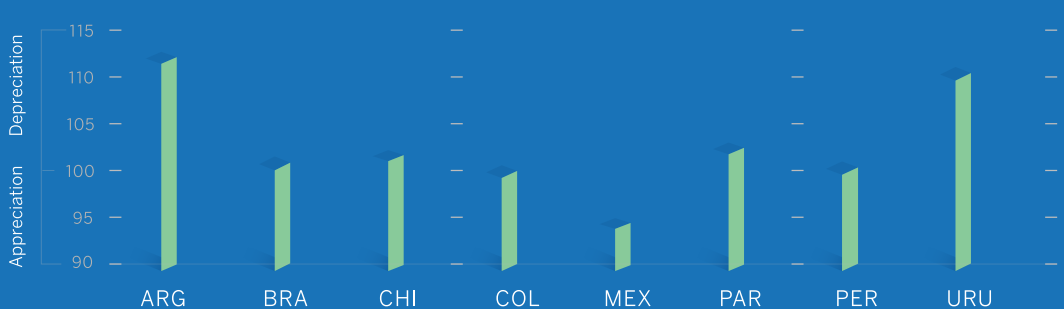
Oil (left axis, and US\$ per barrel) Copper (right axis, and US\$ per pound)



Source: BBVA Research

### Exchange rate (Dec-2017=100)

In general, **exchange rates will gradually depreciate** in the face the divergence of interest rates in the region compared to the Fed



Source: BBVA Research

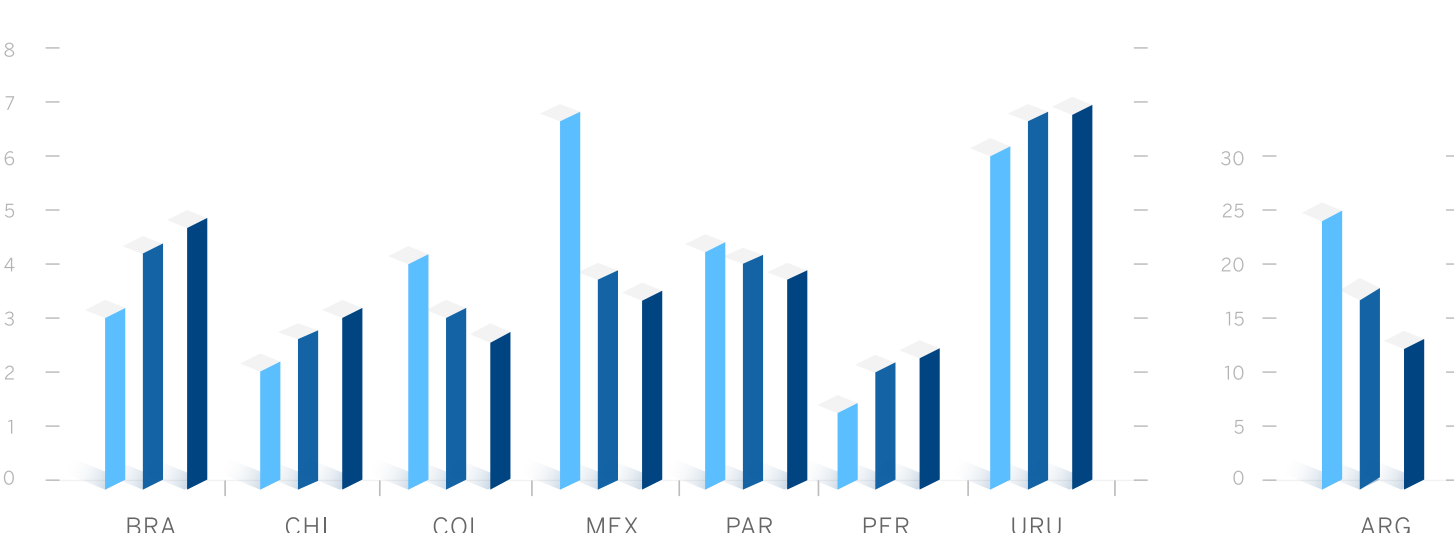
The central banks will continue to reduce their interest rates at the beginning of 2018



**Inflation surprised to the downside in many countries**, except in Argentina and Mexico where the decline was slower than expected

### Inflation (% y/y)

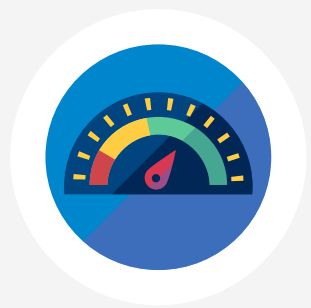
DEC-2017 DEC-2018 DEC-2019



Source: BBVA Research

### External

- Hard landing in China
- Disorderly rises in interest rates in the USA
- Protectionism in developed countries



## Risks

### Internal

- Political noise:**
  - Peru, Mexico y Brazil
  - Argentina and Chile
  - Colombia
- Delayed investment, both private and public
- Failure to push ahead with reforms and boost productivity