

Latin America Economic Outlook

2Q18



Recovery continues amid turbulence in Latin America



We have revised 2018 growth forecasts downwards, but the **upward trend that started in 2017 is continuing**

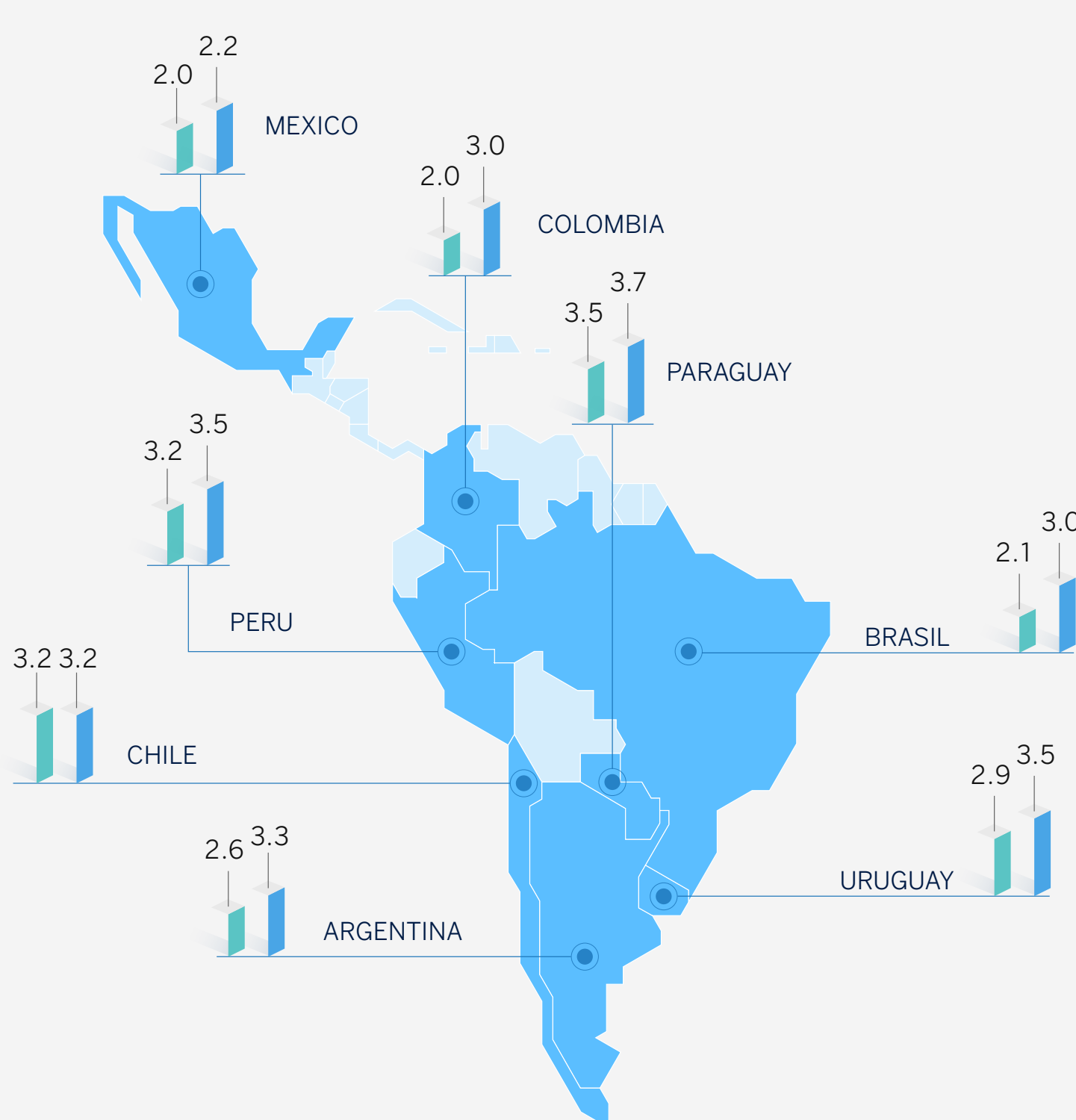


A more **favourable external environment** does not compensate for some temporary shocks and the greater political noise in some countries

2018 2019

PIB LatAm (% YoY)

1.4 2018
2.5 2019



FINANCIAL MARKETS AND CENTRAL BANKS

1 | Financial markets in the region resist the increase in global volatility

Financial markets: % change in the three months (to 18 April)



Oil **13.4**
Copper **-3.5**
Soybeans **9.3**

Source: Datastream, variations between 31 December and 18 April 2018



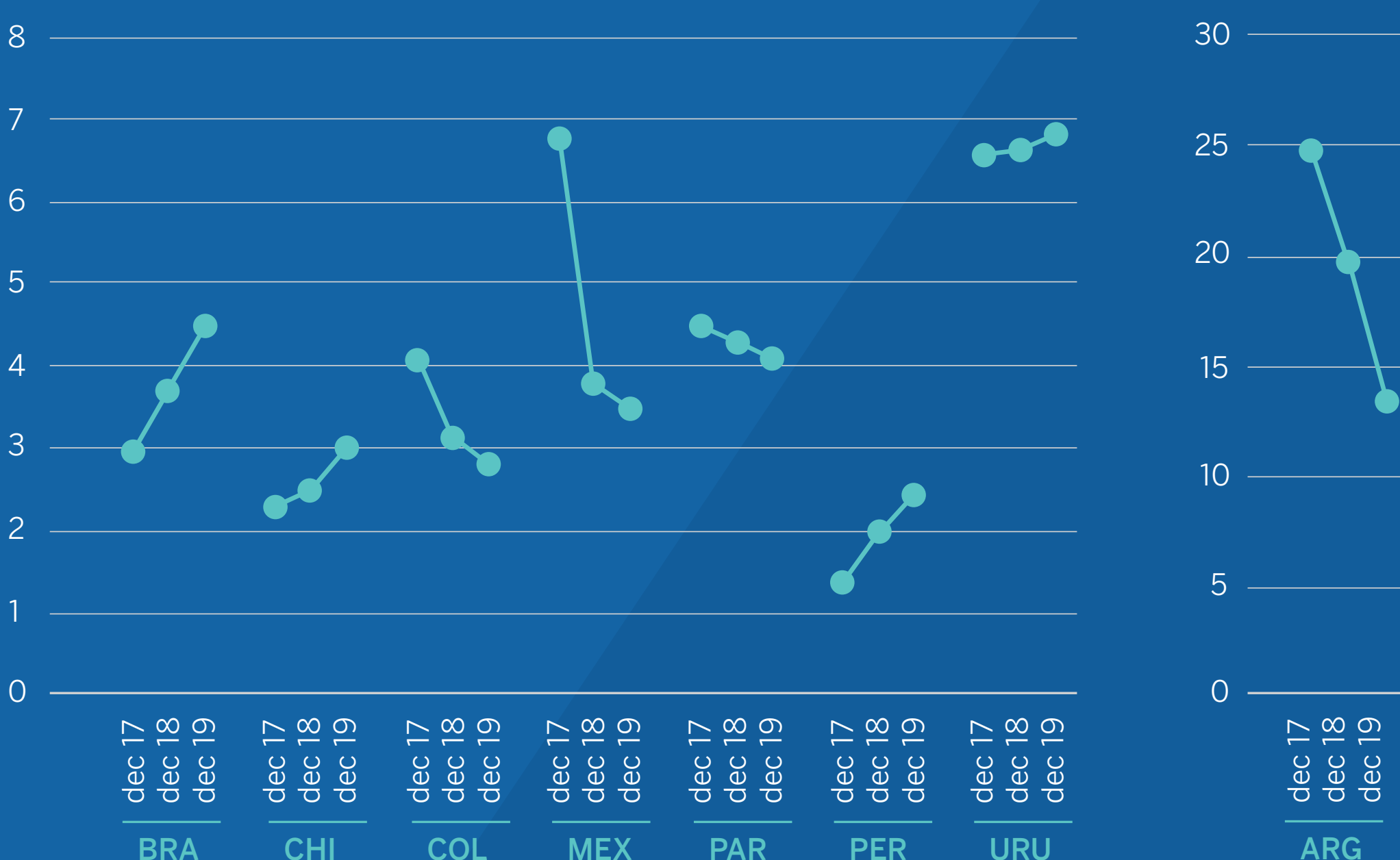
Increased **raw materials** prices cushion the volatility observed in developed markets

2 | Central banks in South America at the end of the cycle of interest rate cuts (except Argentina)

Mexico will maintain **interest rates unchanged** until the end of 2018

Concerns about **inflation decrease** (except for Argentina): it will move towards the objectives of the respective central banks in 2018

Inflation (% YoY)



Source: BBVA Research

RISKS

Internal

Political noise:

- Peru, Mexico, Colombia y Brasil
- Argentina and Chile

Delay of investment, private and public

- Peru
- Chile

- Failure to push ahead with **reforms** and boost productivity

External

- Disorderly rise in interest rates in the US

- Protectionism

- Sharp deceleration in China

