

Global Economy

The different Latin Americas

El País (Spain)

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The recovery of growth in Latin America continues to be very uneven. We are witnessing at the same time the impact of the currency crisis in Argentina and uncertainty over how far-reaching the new Brazilian government's tax and pension reforms will be. On the other hand the Andean countries continue to accelerate, driven by the recovery in domestic demand; while in Mexico there is good news and bad at the same time.

Starting with Argentina, the currency crisis and the need to contain it with an even more restrictive fiscal and monetary policy will lead to a sharp recession this year, with a 2.4% fall in GDP. Even so, if the programme now in place succeeds in stabilising the exchange rate and quickly bringing down inflationary expectations – and although these are still early days, the first few weeks point in that direction – the external sector should start to push growth and turn it slightly positive from the first quarters of next year, to return to Argentina's potential growth (of closer to 3%) in 2020.

In Brazil, the economic panorama depends crucially on how ambitious the tax and pensions reform embarked upon by the new government turns out to be. However, the political polarisation and the fragmentation of Congress, among other factors, point to these reforms not being very ambitious, and the high level of public debt will continue to act as a drag on growth, which is unlikely to exceed 2% in the medium term.

Mexico has received mixed news. On the one hand, the trade agreement with the US and Canada was good news, especially considering the alternatives that had been on the negotiating table at one time or another, starting with the possibility of no deal. Even so, against this reduced uncertainty on the trade side we have to weigh the damage that may be caused to investor confidence by the cancellation of the construction of Mexico City airport. In this context it will be difficult to exceed sustained growth of around 2% going forward.

The positive side is presented by the Andean countries: Colombia, Peru and Chile. In all three cases we continue to see recovery in growth – with a slight lag in the case of Colombia – driven by domestic demand, and following the rough patch that they went through for different reasons in 2016-17. With growth prospects of between 3.5% and 4% for the next few years, they will no doubt be the most dynamic economies among the larger countries in the region.

So Latin America continues to present a very uneven panorama, with great uncertainty in the three biggest economies but favourable prospects in the three main Andean economies. Several different stories on the same continent.

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