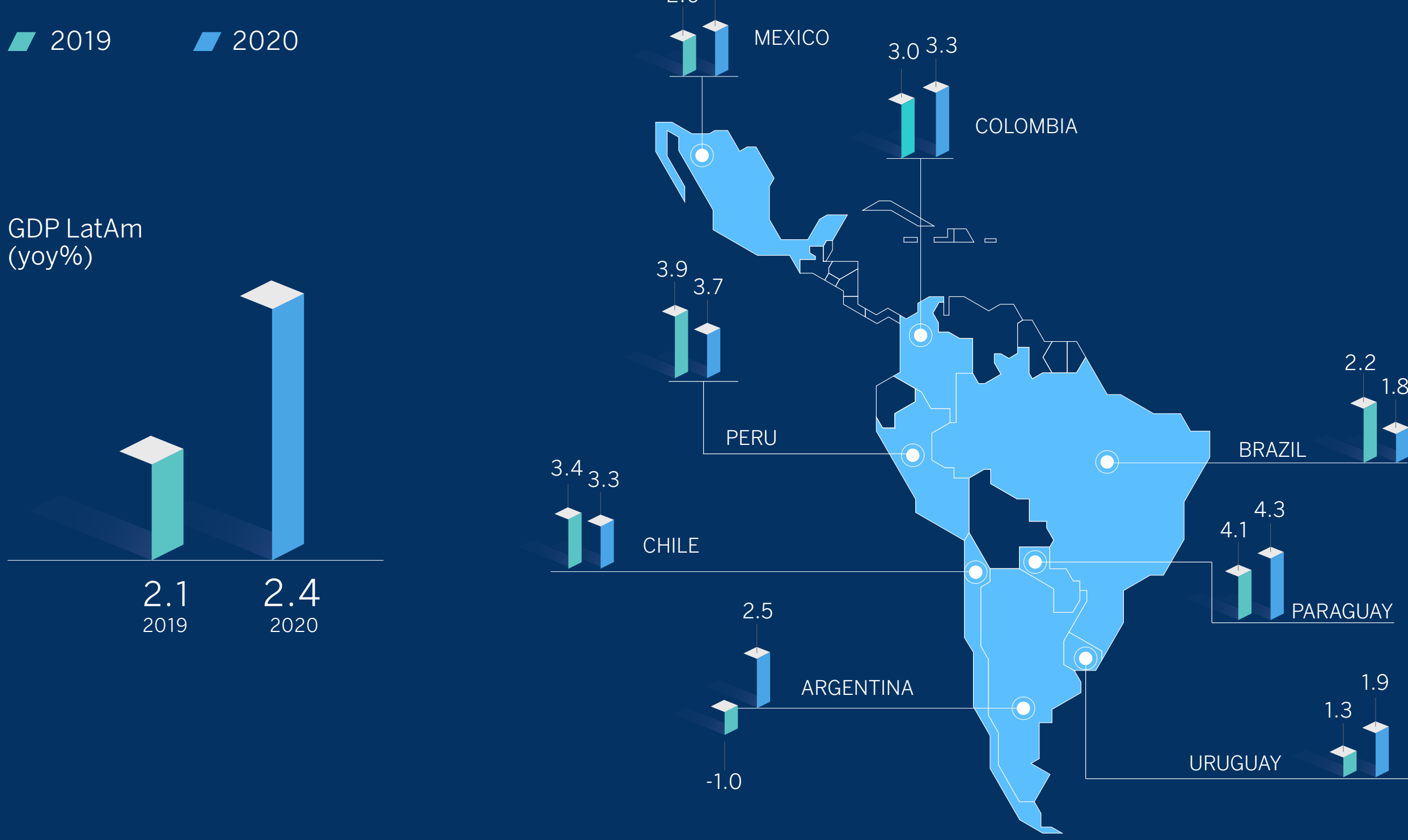


# LatAm Economic Outlook 1Q19

The global slowdown will limit the recovery in **Latin America:**



Growth in Latin America will continue to recover, although more gradually than expected

The region will have to face a less favorable global environment: lower global growth, greater volatility and lower prices of commodities

The growth forecasts of all the countries in the region have been revised downwards

Beyond global drivers, some local factors contribute to less optimism: worse-than-expected incoming data in Argentina and Chile; more impact of adjustment in Argentina and fiscal noise in Colombia

Growth will be higher in 2019 in Paraguay, Peru, Chile and Colombia around 3.5%, while will be close to 2% in Brazil, Mexico and Uruguay

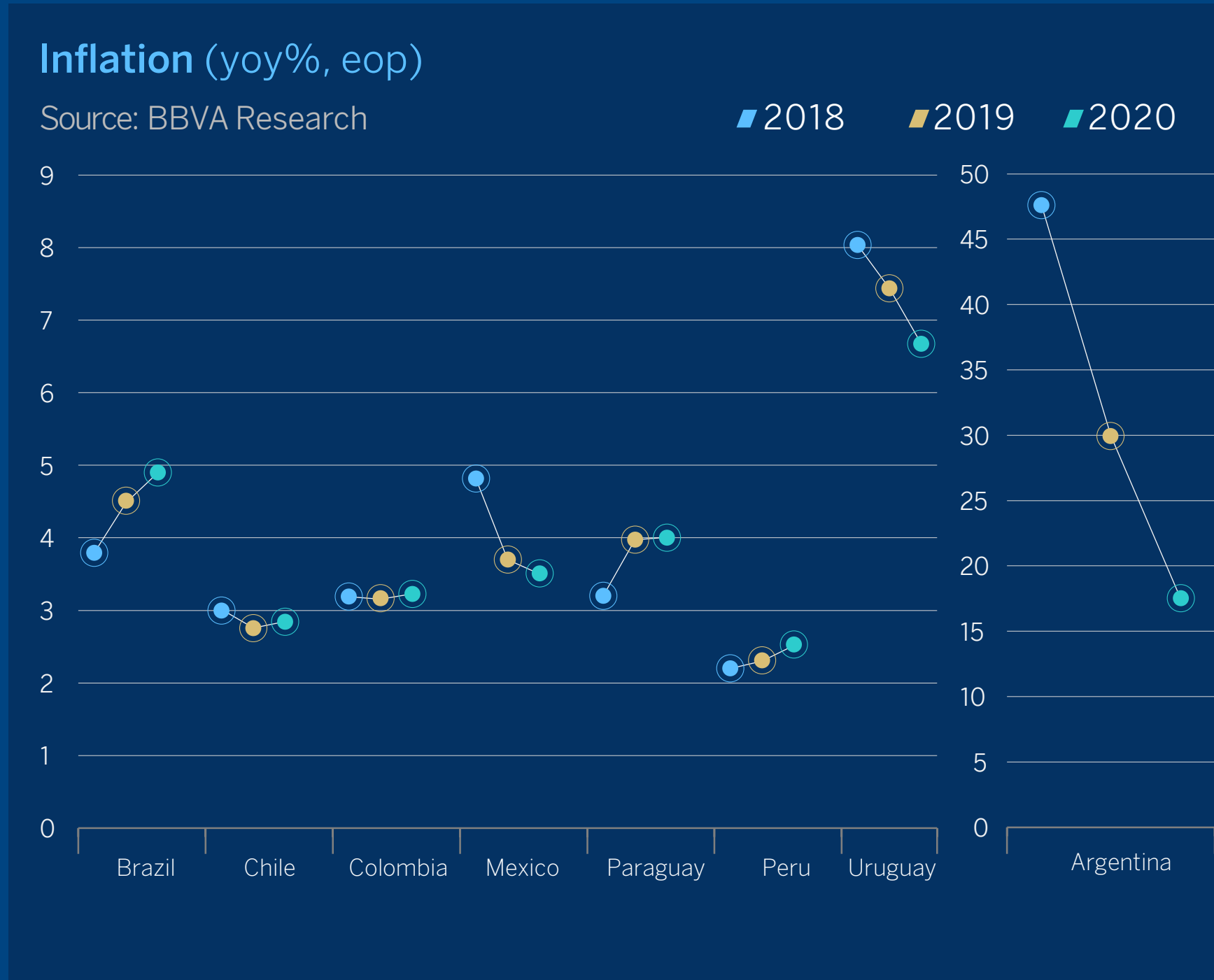
Despite the recovery from 2018, the region will not achieve high growth in the coming years: reforms to stimulate productivity have been scarce and insufficient

## Inflation under control and close to inflation targets in most of the region but still high in Argentina, Mexico and Uruguay

In general, the adjustments in the forecasts reflect more depreciated currencies and lower oil prices

The recovery of activity and the gradual increase in inflation will determine a reduction in monetary stimuli in the region

The exceptions will be **Argentina and Mexico** where the restrictive tone will be maintained for longer: **growth of 0% m/m of the monetary base in the first half of the year in Argentina** and interest rate stability under 4Q19 in Mexico



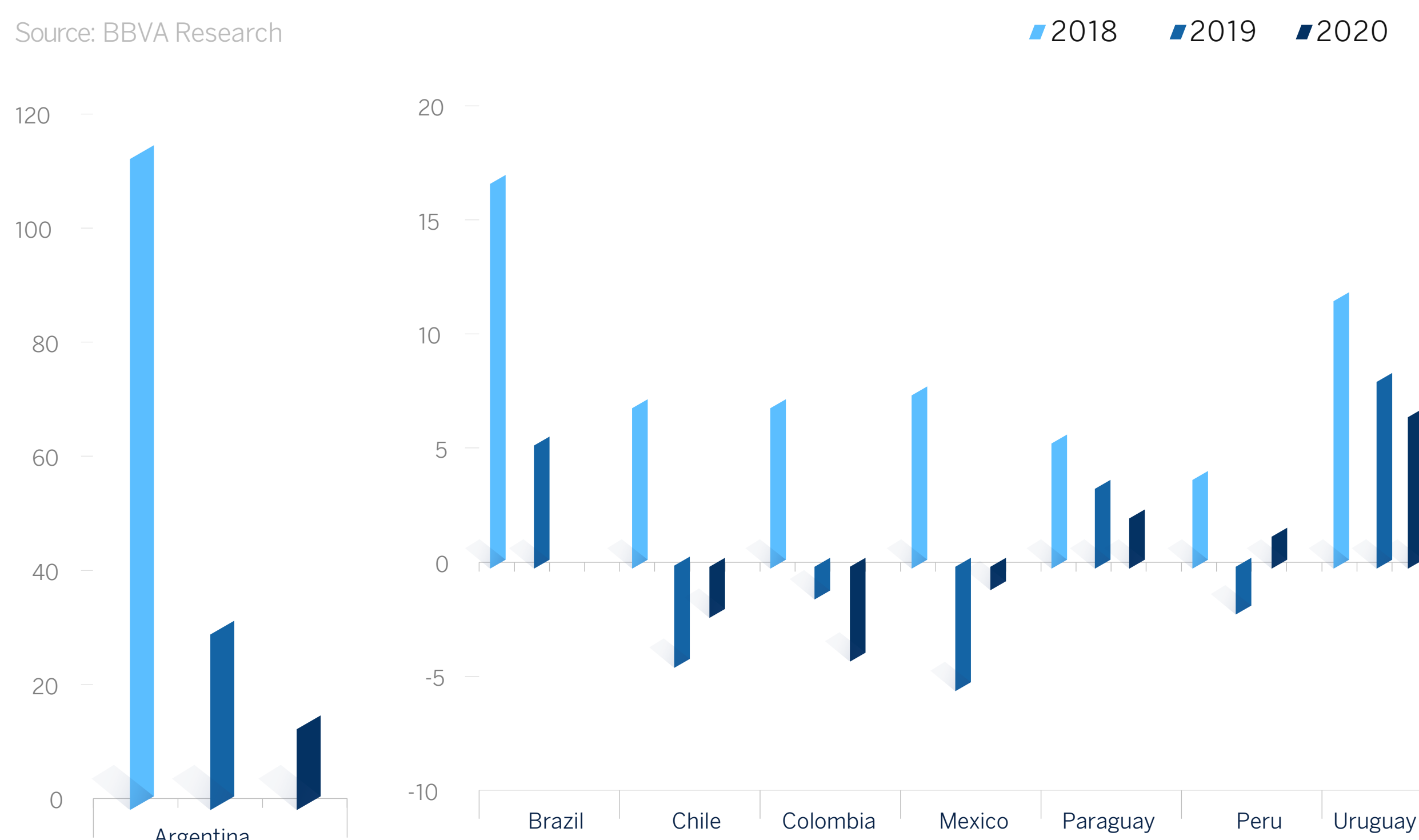
## Financial tensions in Latin America have moderated despite the global markets volatility

The reduction of financial tensions has been especially important in **Argentina**, where the measures announced after the new agreement with the IMF ended up easing markets' fears

In **Brazil and Mexico** financial tensions have diminished due to optimism in the markets with the **new government** in the first case and **the approval of a conservative budget** for 2019 in the second

After depreciating in 2018, there is room for currencies to appreciate somewhat moving forward

### LatAm: Variation in exchange rates, %



### INTERNAL

- ↑ **Protectionism**
- ↑ **Risk of further deceleration** in China and the US, uncertainty in the US
- **Tightening** of financing conditions

### EXTERNAL

- ↑ **Political noise continues in all** but mainly Brazil and Mexico due to uncertainty about new policies, and in Argentina and Uruguay where there will be presidential elections in 2019
- ↑ **Fiscal noise** in Argentina, Brazil, Colombia, Mexico
- **Risk of delays in investment projects** that would lead to growth cuts: Peru, Paraguay, Uruguay

### RISKS

