

Latam Outlook

1Q20

Latin America's growth has been of only 0.6% in 2019. A recovery is expected in 2020 and 2021: growth should reach 1.4% this year and 2.1% the next.

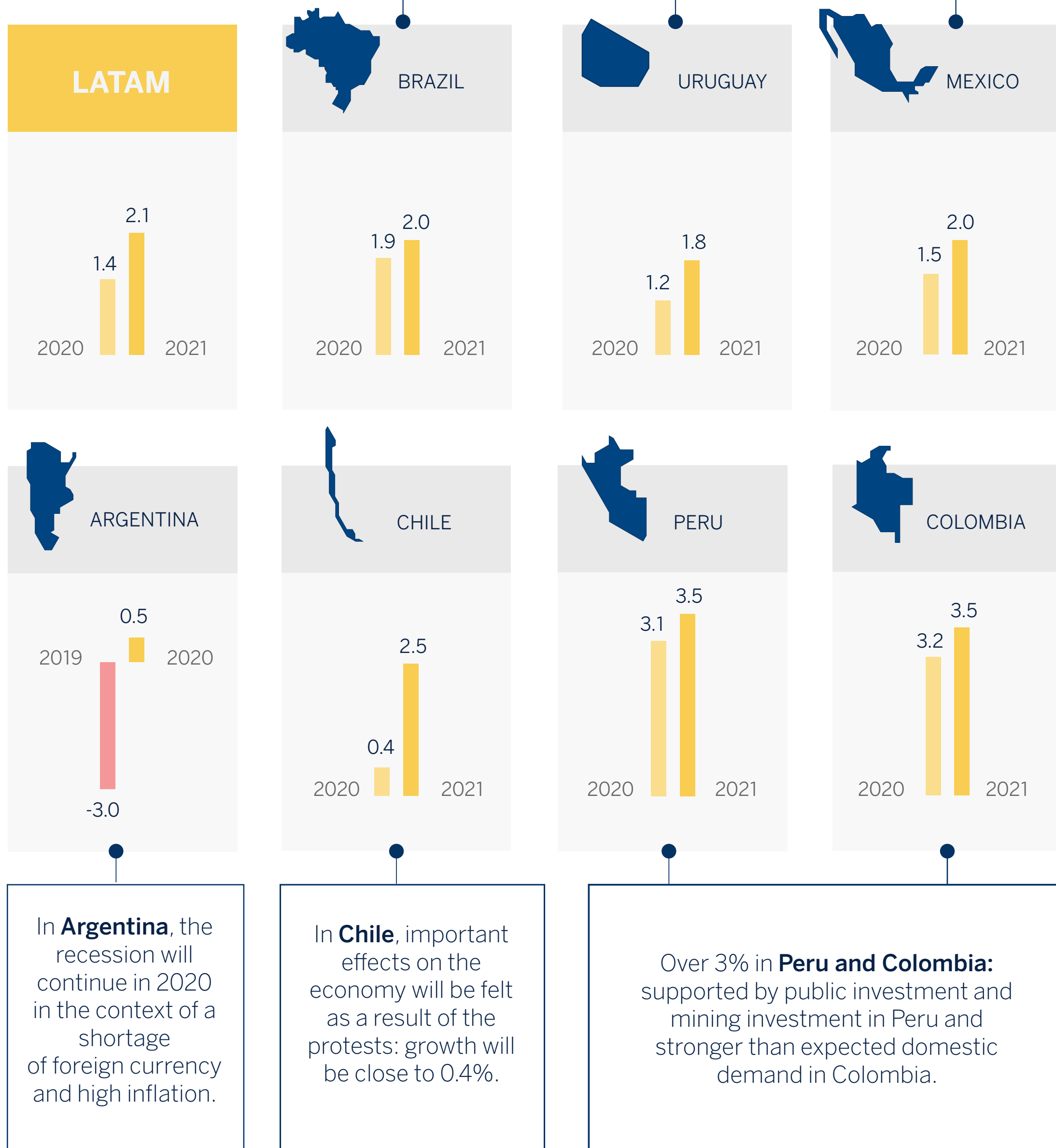
Recovery will be mainly based on investment, driven by:

- Improvement in global environment.
- Reduction in idiosyncratic uncertainty.
- Expansionary monetary policy in an environment of under-control inflation.

GDP GROWTH BY COUNTRY

The recovery will be widespread, although heterogeneous across countries:

Close to 2% in **Brazil, Uruguay, and Mexico**: along with improved prospects for reforms in Brazil, major investment projects in Uruguay, while Mexico will benefit from increased investment related to the approval of the USMCA.



Inflation and monetary policy

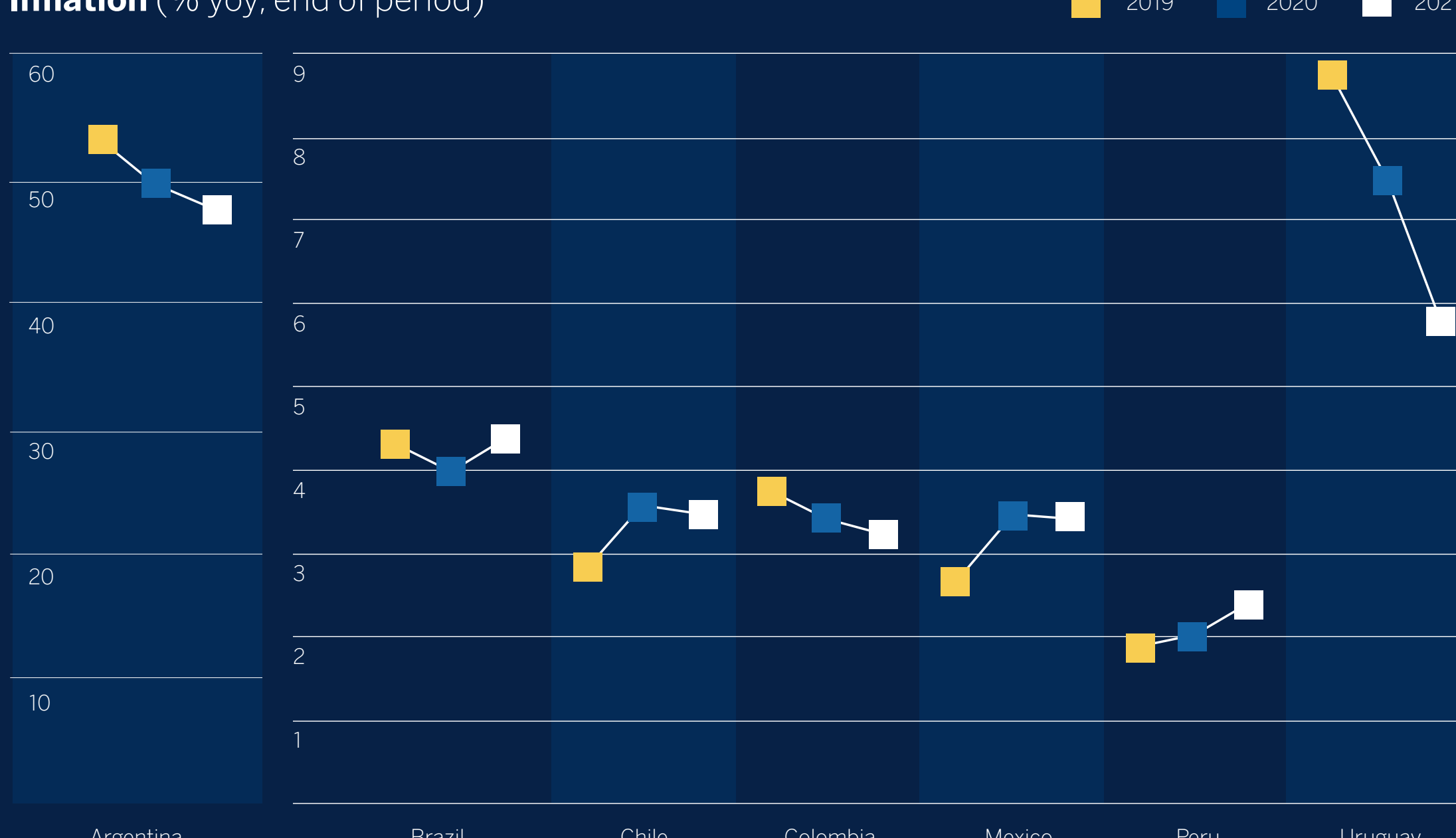
Inflation will remain under control in most of the region, but will continue high in Uruguay and especially in Argentina.

In the rest of the countries, despite the expected increase in activity dynamism, demand pressures will remain relatively weak.

Within a context of inflation under control, expansionary monetary policy will support economic activity:

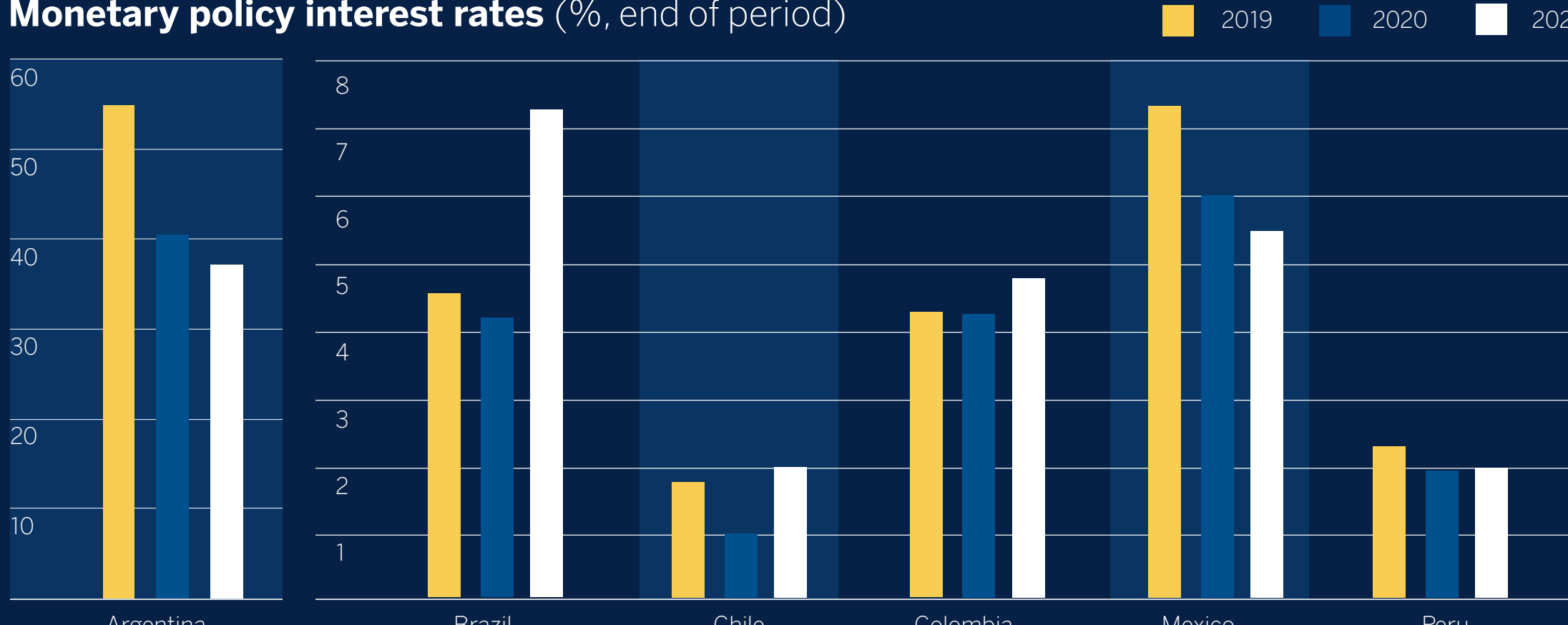
- 1** In **Colombia, Peru, Chile and Brazil**, interest rates will remain low, below the average for the 2012-18 period.
- 2** In **Mexico**, additional cuts will bring the interest rate to 6% throughout 2020.
- 3** Recent signs suggest a more aggressive rate reduction in **Argentina**, despite high inflation.

Inflation (% yoy, end of period)



Source: BBVA Research

Monetary policy interest rates (% , end of period)



Source: BBVA Research

Challenges for the region

The great challenge in the region: to increase growth in a context of limited commodity prices and idiosyncratic vulnerabilities.

