BBVA | Research

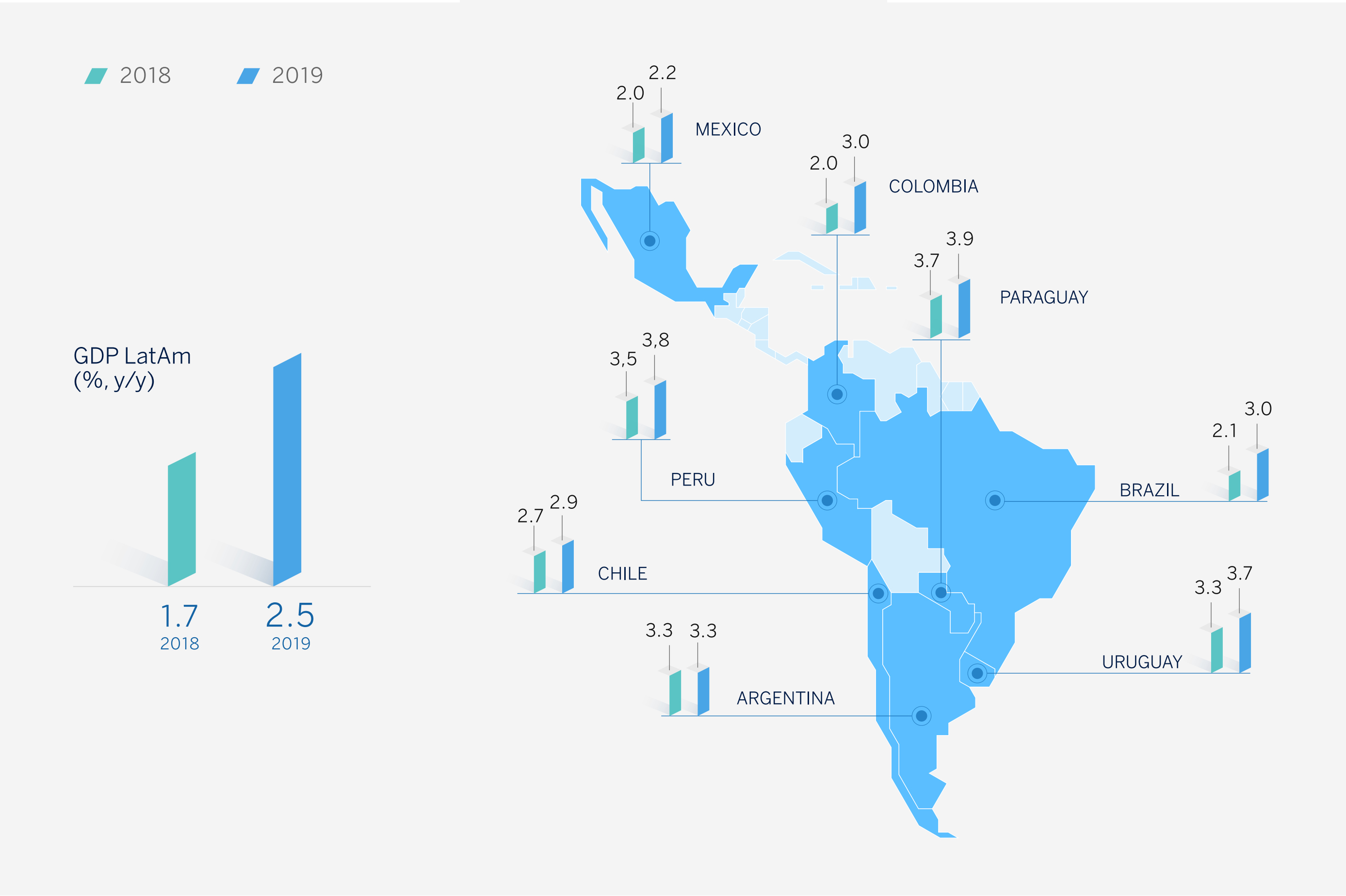
Latin America Economic Outlook
1Q18

Macroeconomic context
Recovery toward a new normal in Latin America

Recovery is underway in most countries

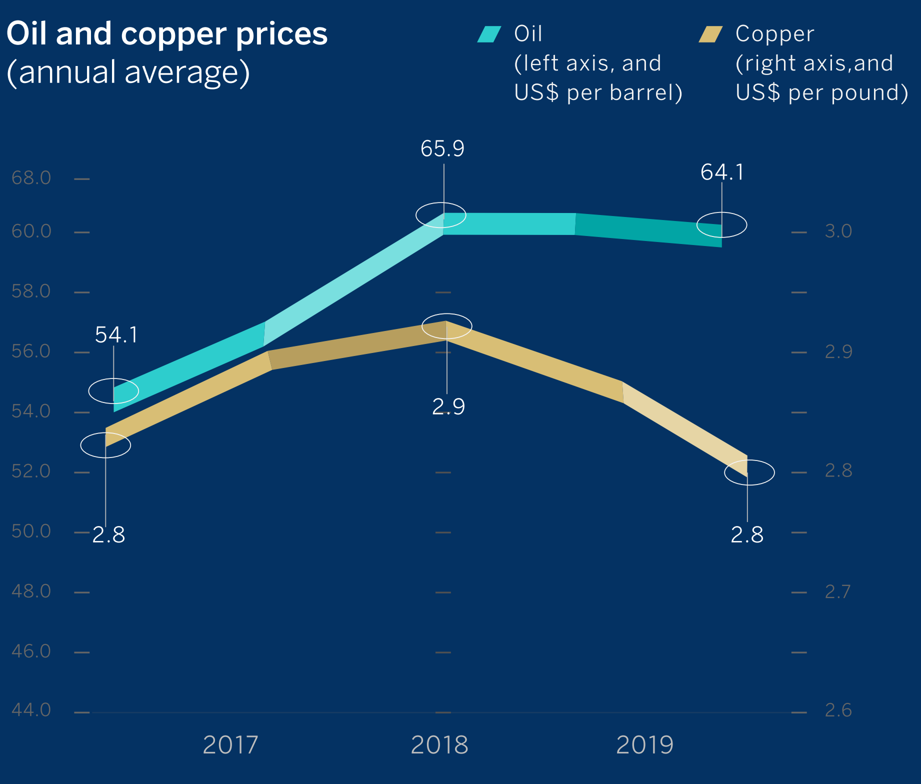
We are revising growth forecasts upwards in the majority of South American countries

Growth close to the new potential in 2019



Financial Markets and **monetary policy**

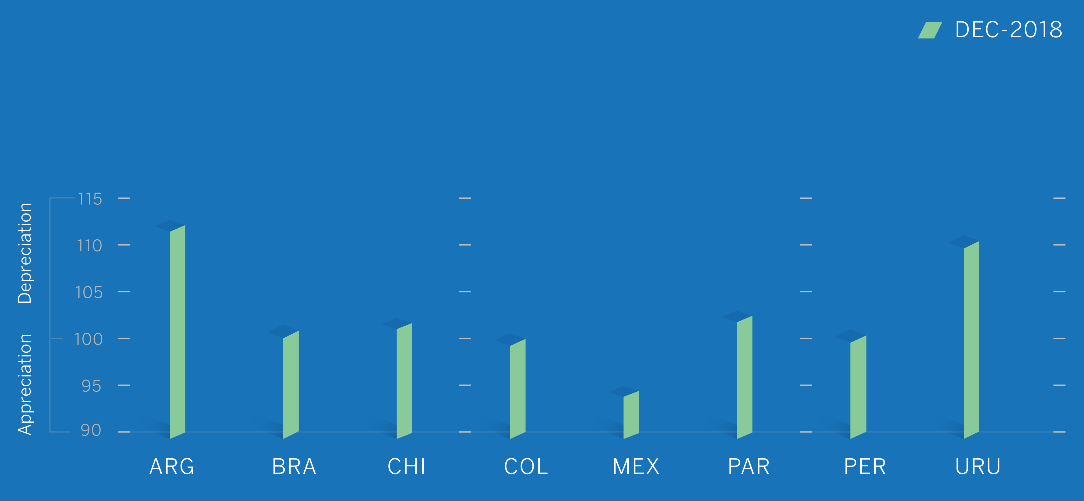
The increase in commodity prices has been counterbalanced by a **tighter Fed outlook**



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

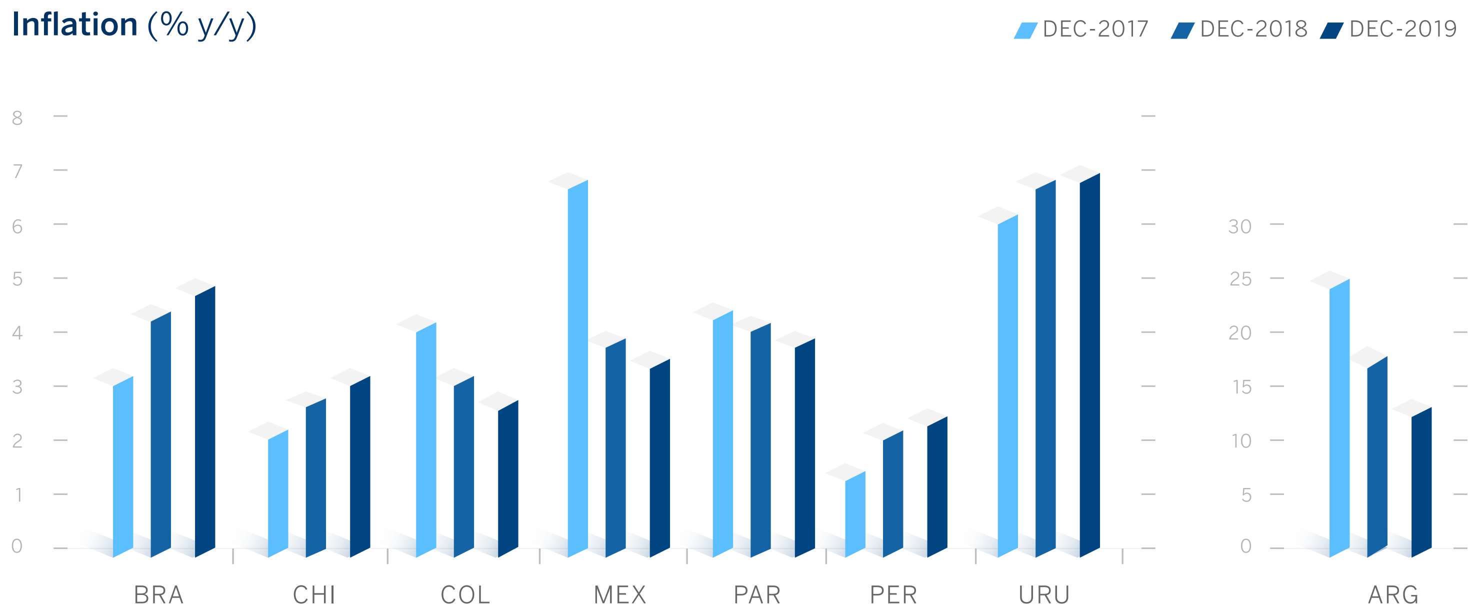


Source: BBVA Research

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)



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