

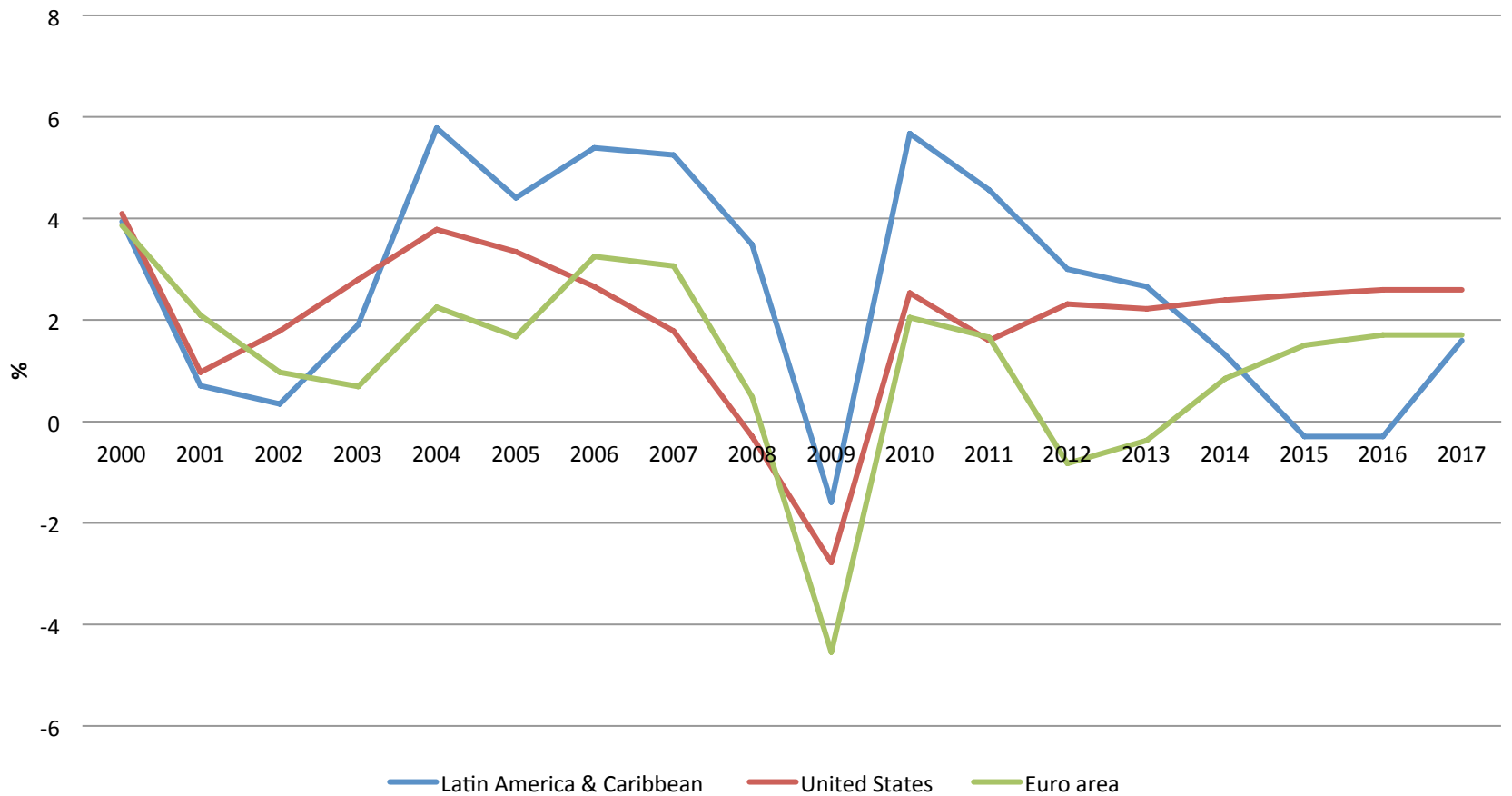
# Present challenges and opportunities in Latin America

Guillermo Perry

Bogotá, February 2016

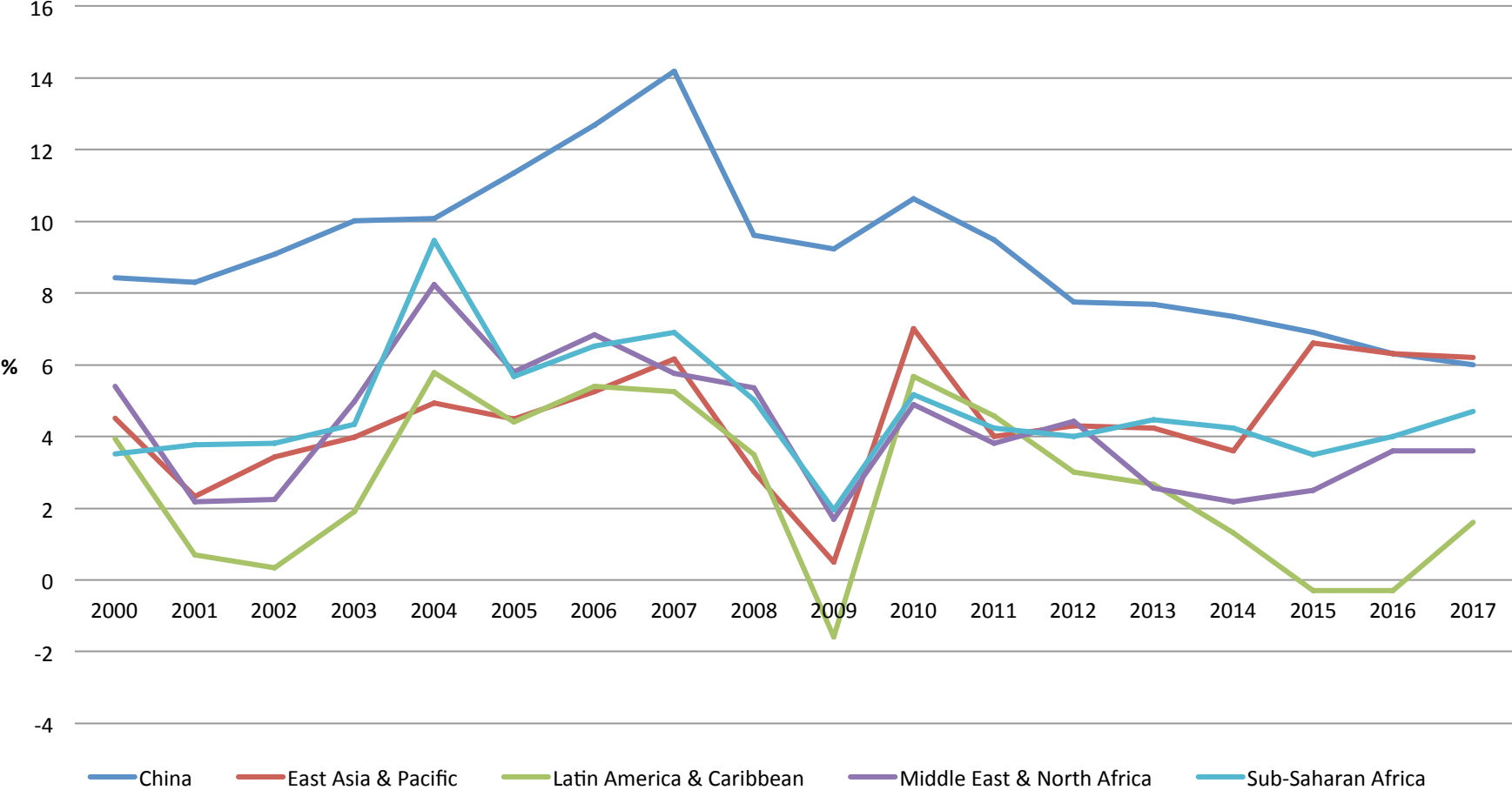
# THE END OF A DECADE OF HIGH GROWTH

## GDP Growth



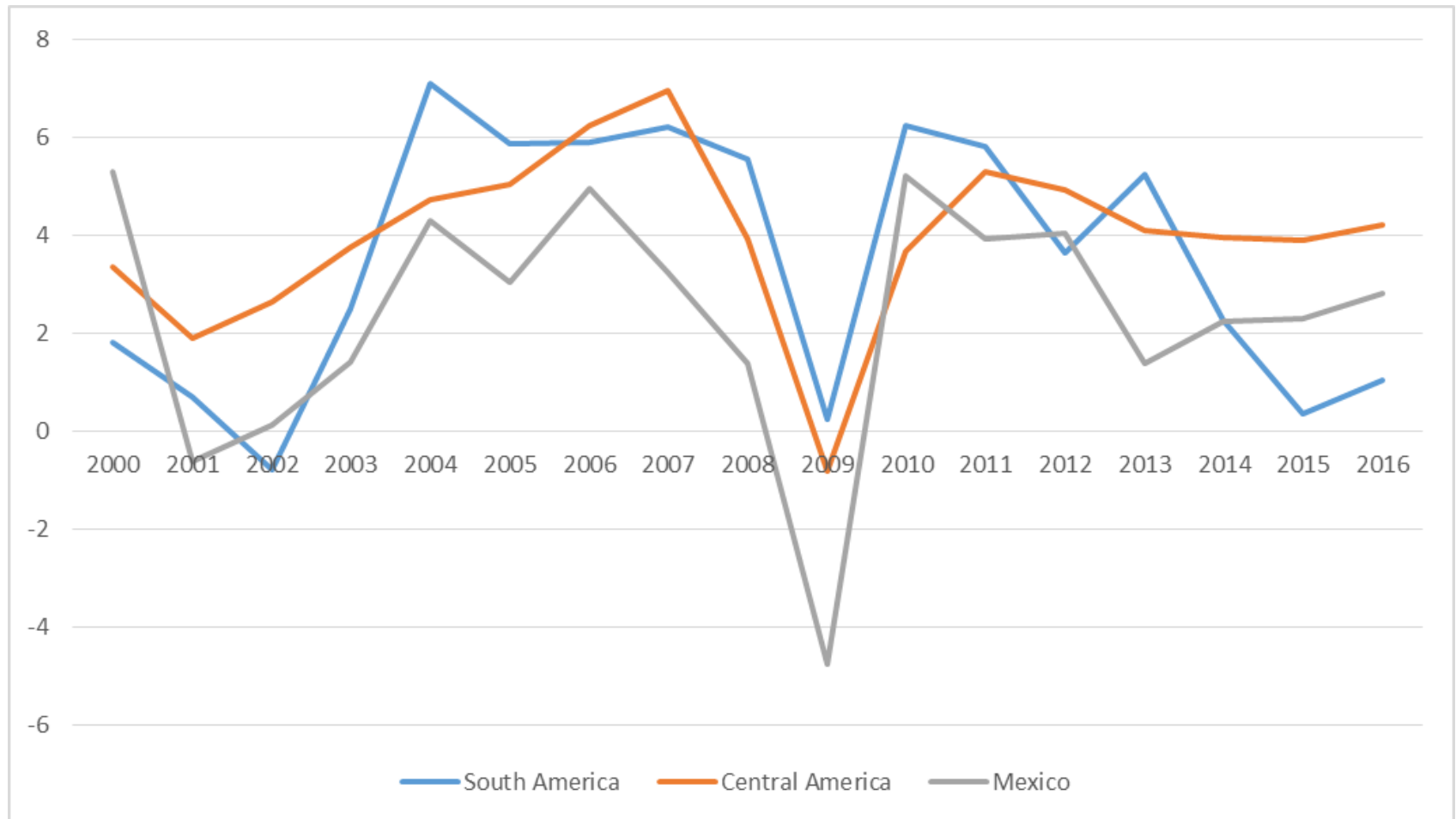
# SLOWDOWN ALL OVER THE EMERGING WORLD, THOUGH PARTICULARLY ACUTE FOR LATIN AMERICA

## GDP Growth Rates



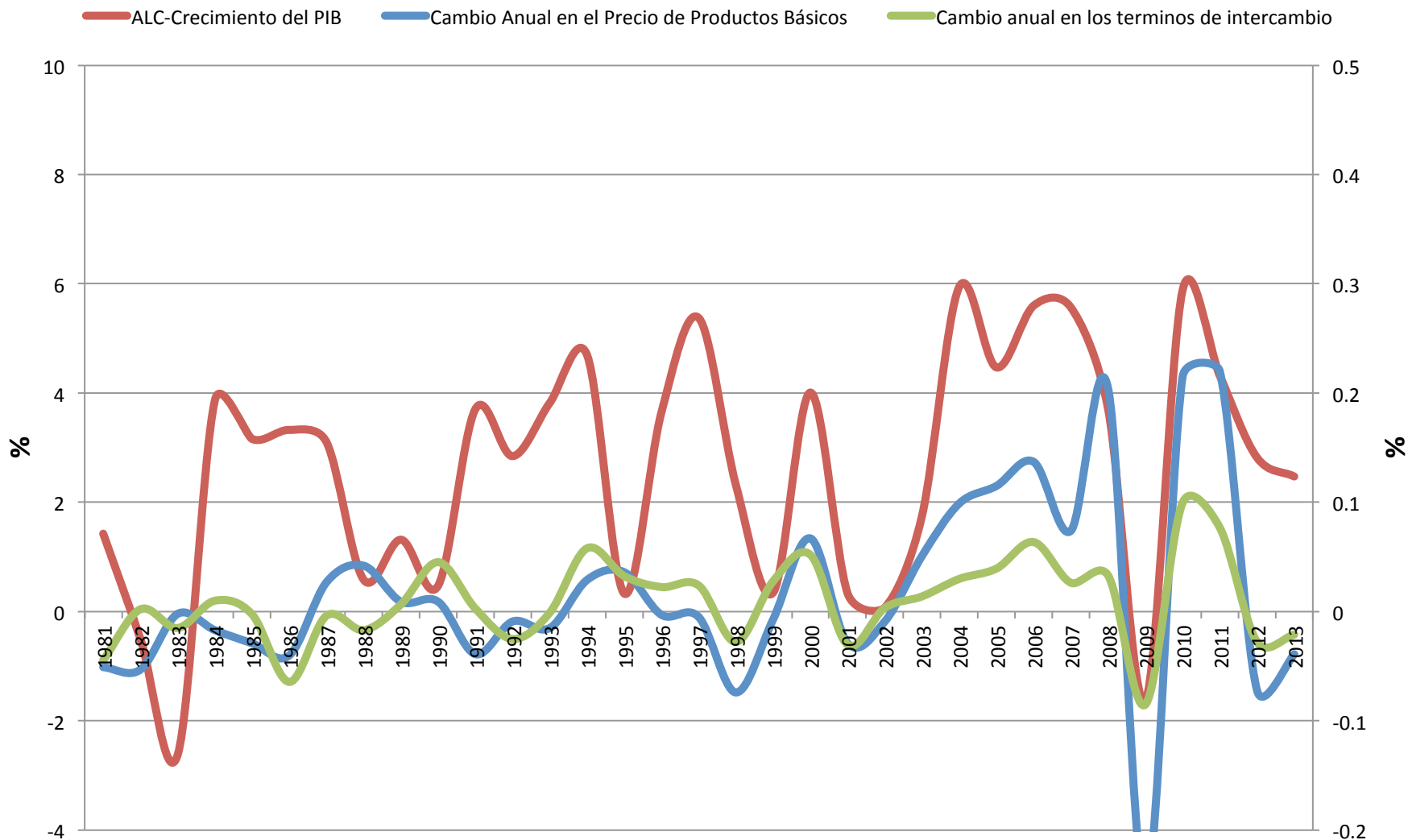
Source: World Development Indicators, WEO 2016 Update

# ESPECIALLY FOR SOUTH AMERICA



Fuente: World Development Indicators, WEO 2015 October

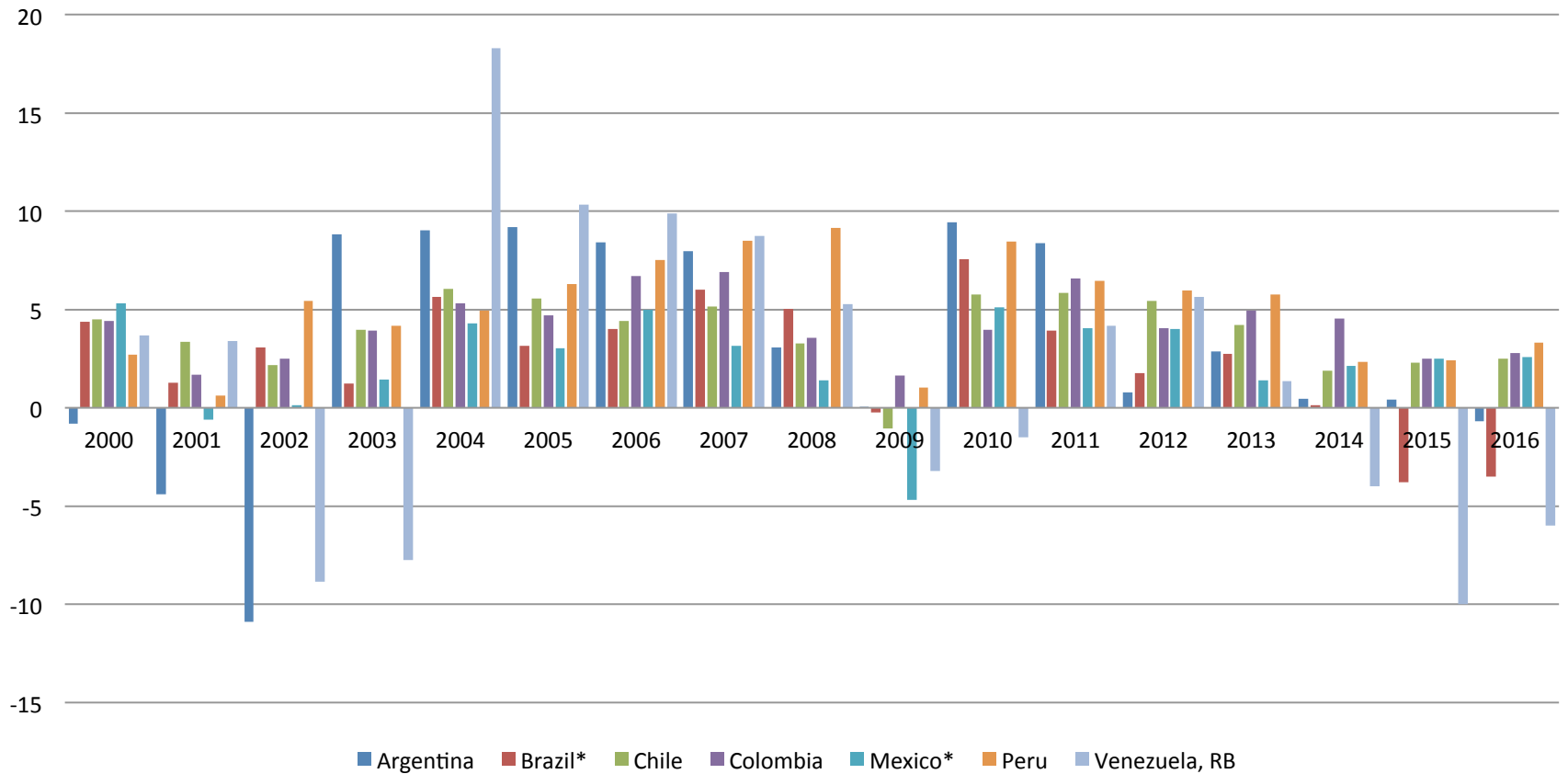
# THE SLOWDOWN IN LA WAS MOSTLY DUE TO THE SHARP FALL IN COMMODITY PRICES



Fuente: Crecimiento del PIB: WDI. Índice TOT, precio de productos básicos: BanRep

# BUT DIFFERENCES IN GROWTH ACROSS COUNTRIES ARE NOT EXPLAINED JUST BY...

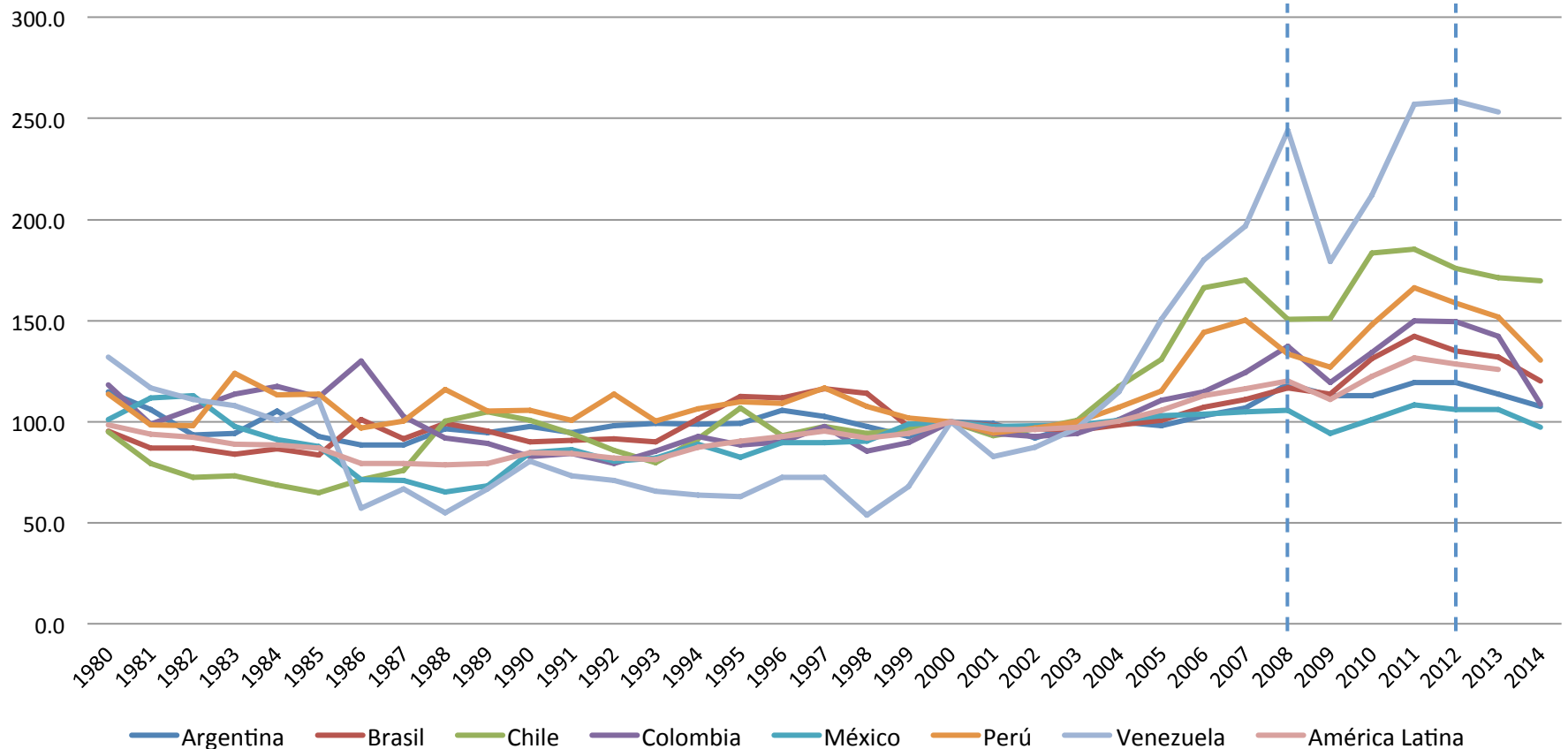
## GDP Growth (%)



Source: World Bank, WEO October 2014. \*WEO Update 2016.

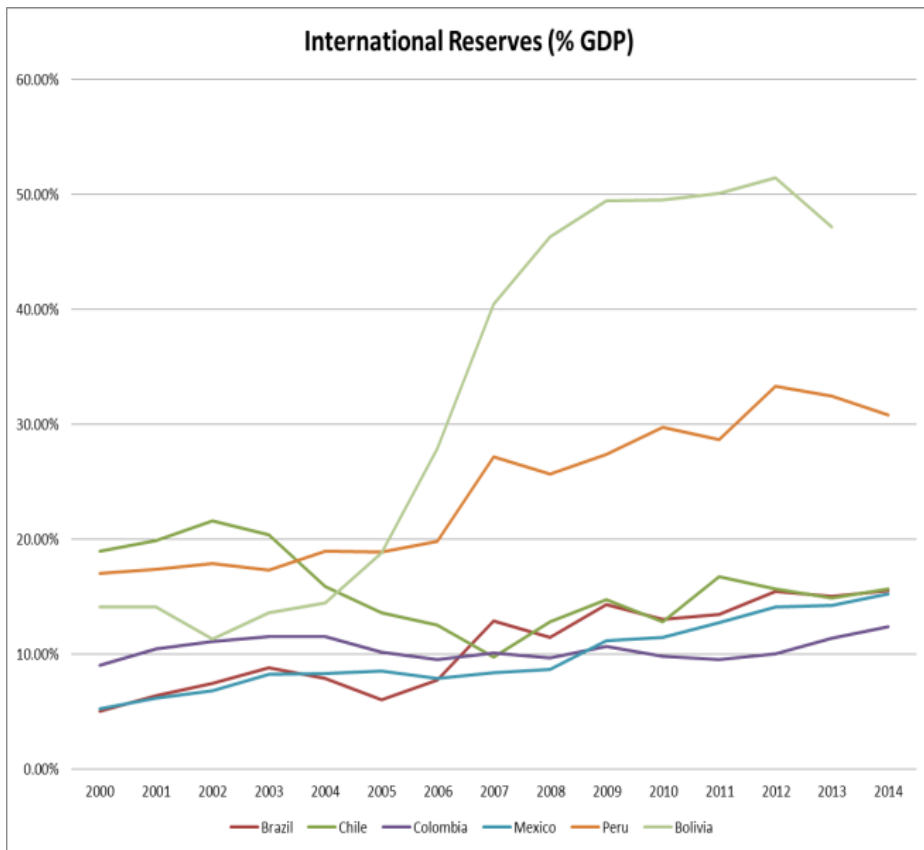
# ..DIFFERENTIAL IMPACTS OF THE HIKE AND FALL IN COMMODITY PRICES

## TERMS OF TRADE GAINS AND DROP



Source: Cepalstat, 2015

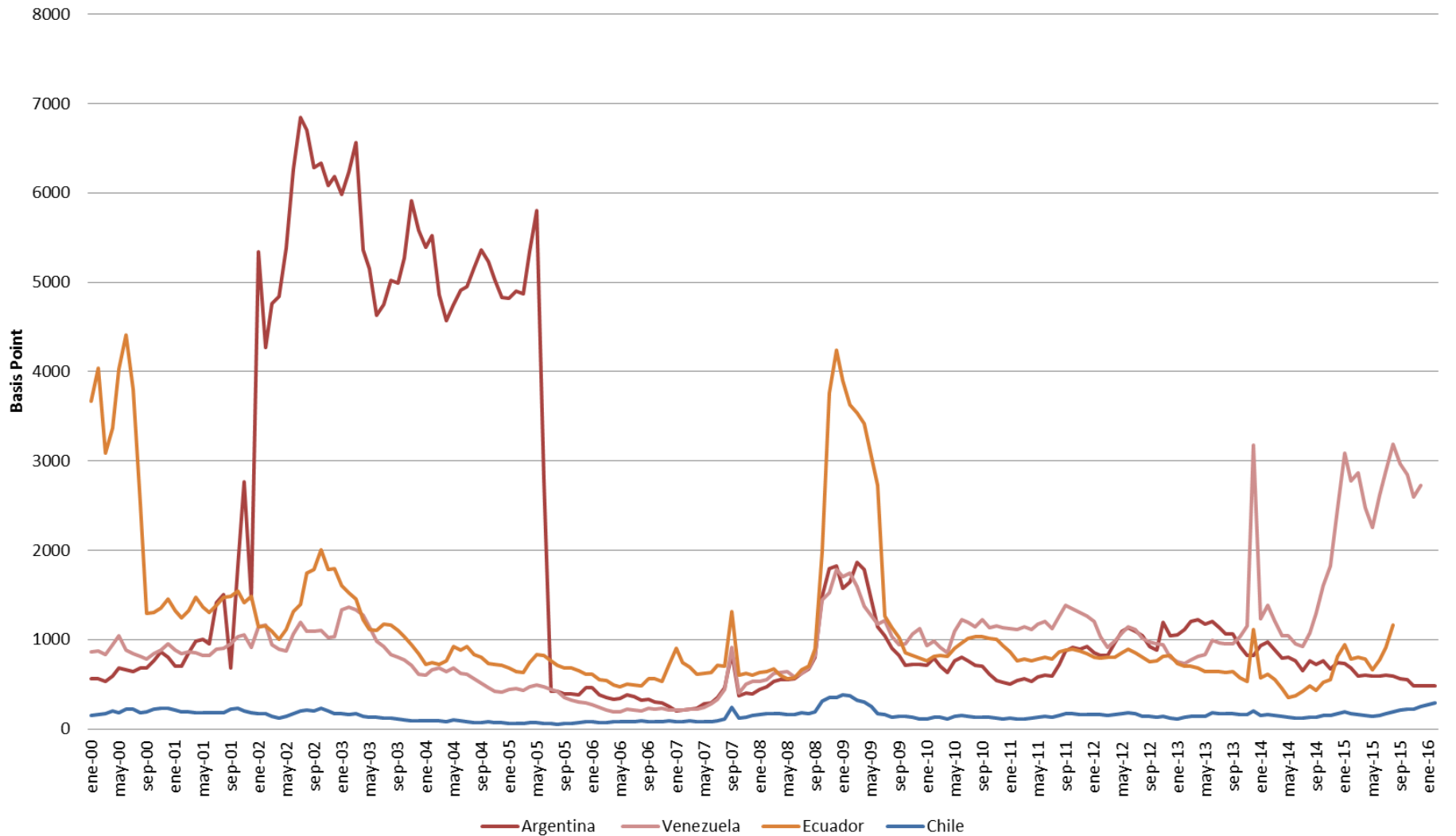
# VENEZUELA AND ARGENTINA LOST RESERVES WELL BEFORE THE FALL IN COMMODITY PRICES...



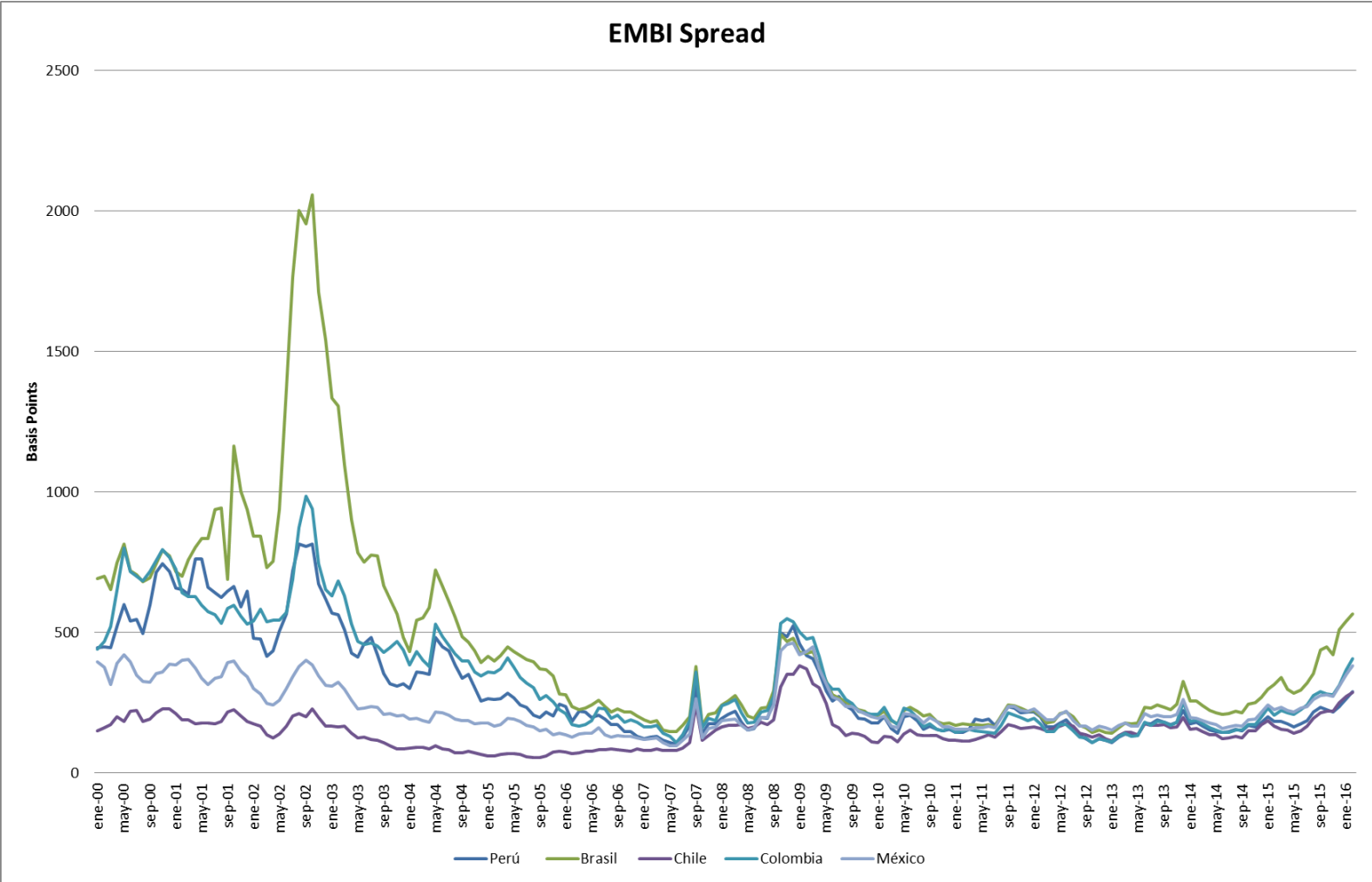


# COUNTRY RISK HAD A SHARP INCREASE IN THESE TWO COUNTRIES SINCE 2007

## EMBI Spread

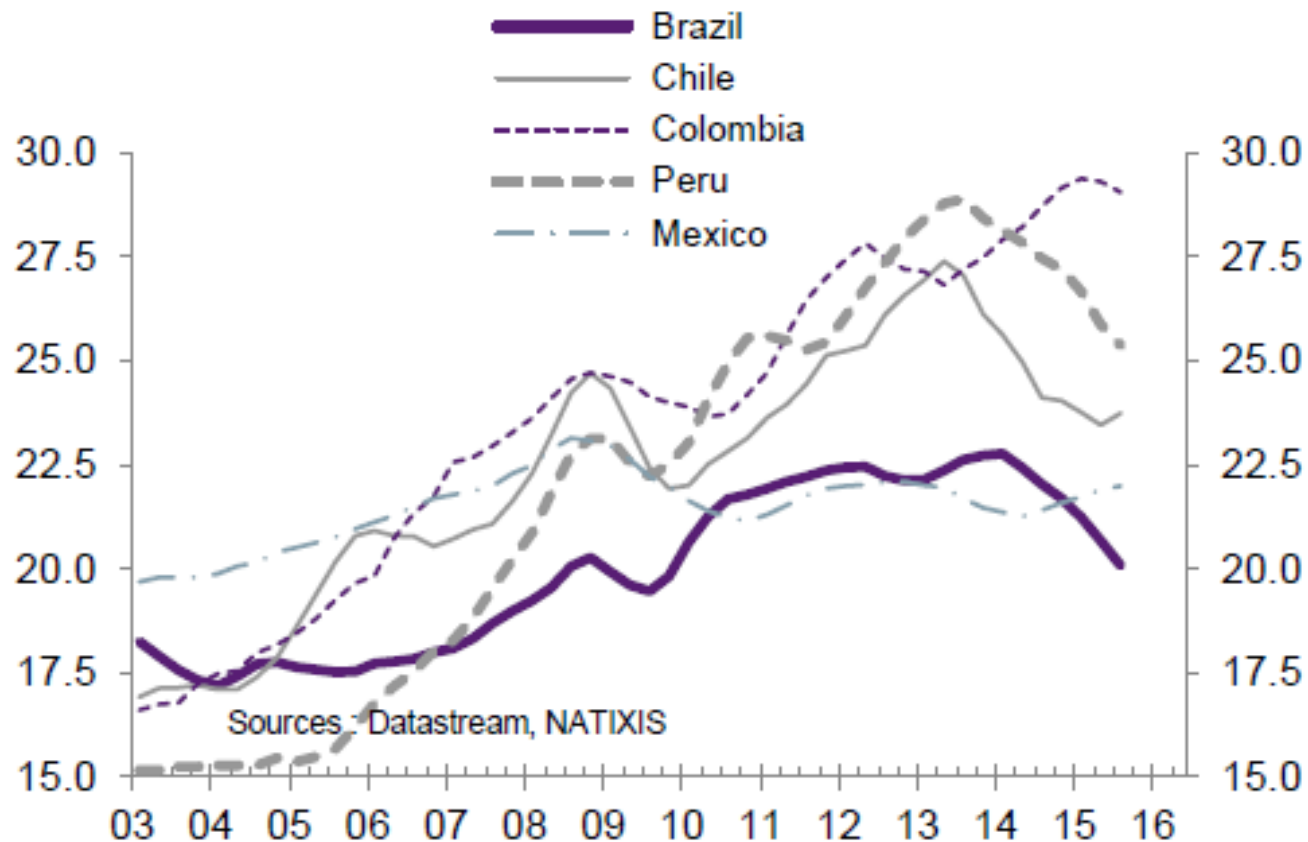


# THE SAME HAPPENED IN BRASIL SINCE 2013 AND HAS BEGUN TO HAPPEN IN COLOMBIA SINCE JUNE 2015

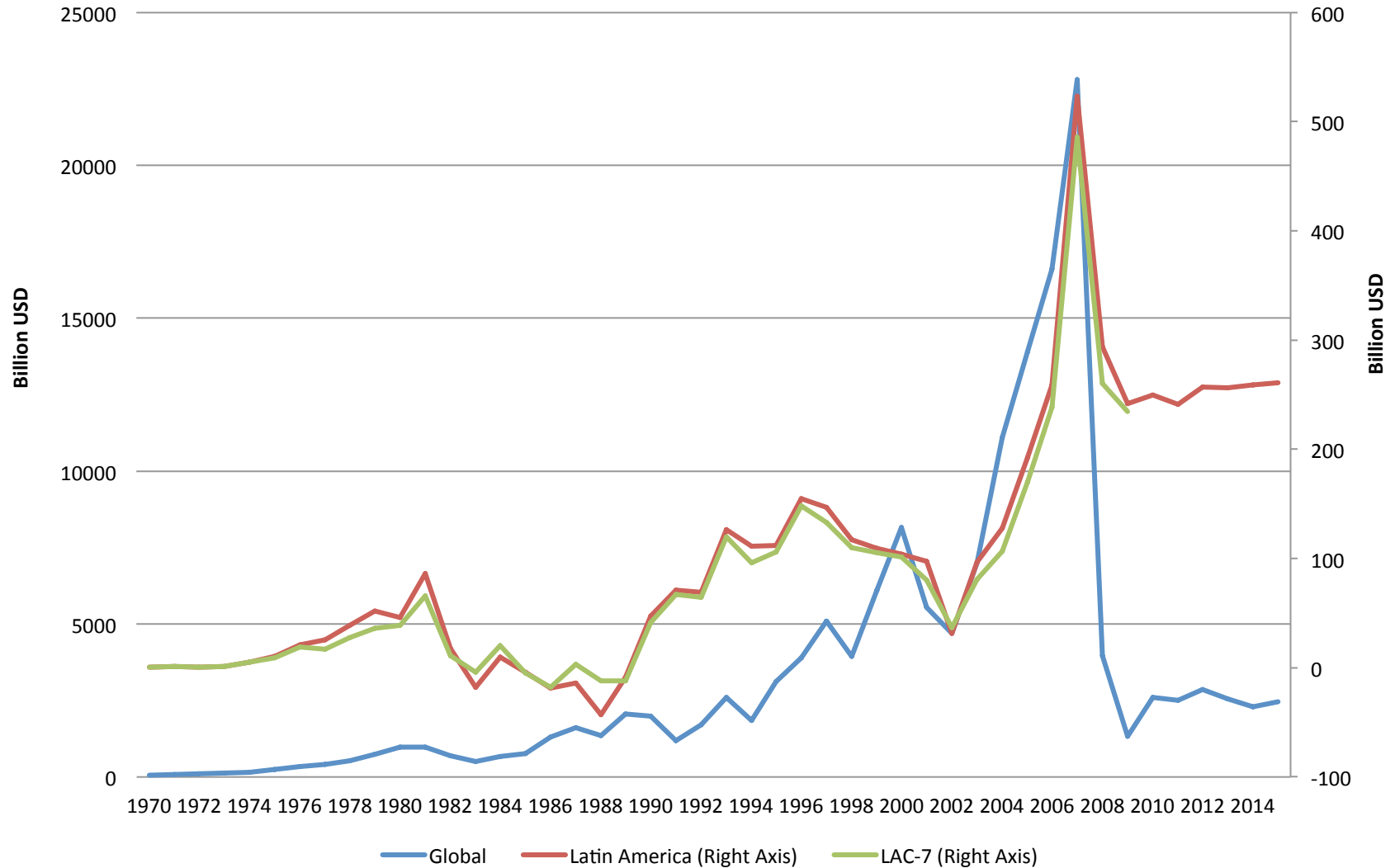


# OVERALL INVESTMENT RATES HAVE BEEN REDUCED

LatAm: investment (% of GDP, 4qma)

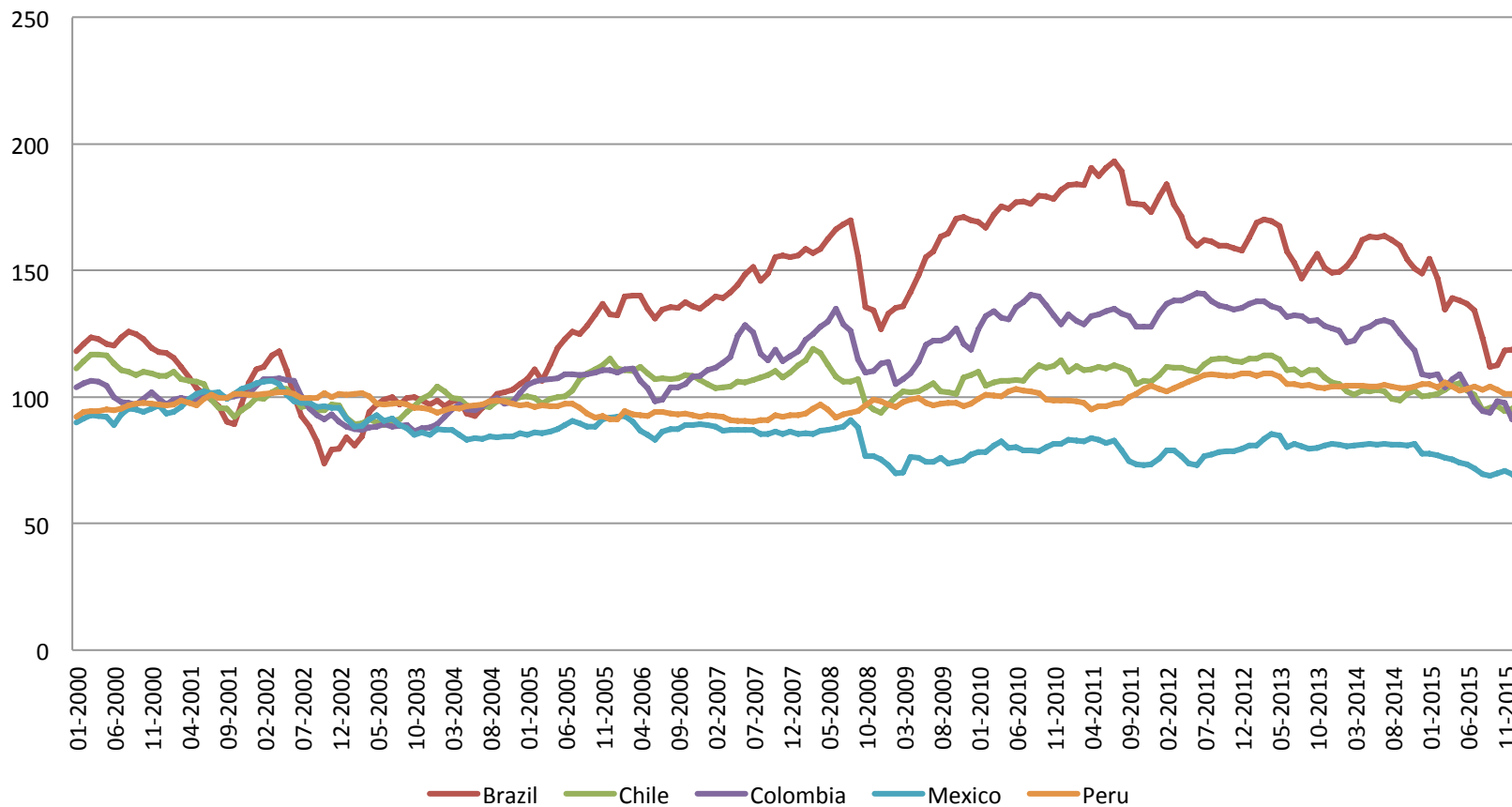


# ..AND CAPITAL INFLOWS HAVE RECEDED...



# AUTOMATIC ADJUSTEMENTS TO THE NEW REALITIES : EXCHANGE RATE DEPRECIATIONS ...

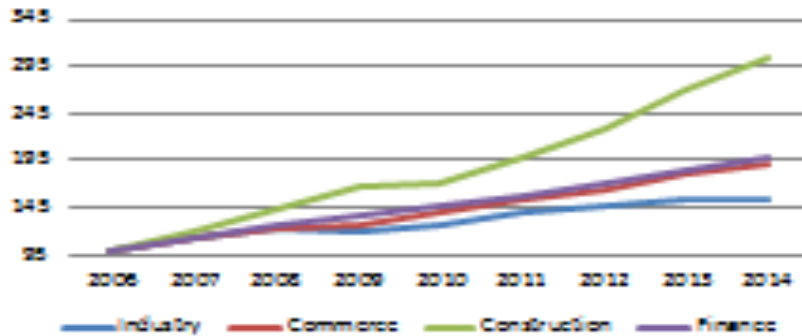
**Real Exchange Rate  
(2001-2002 Average=100)**



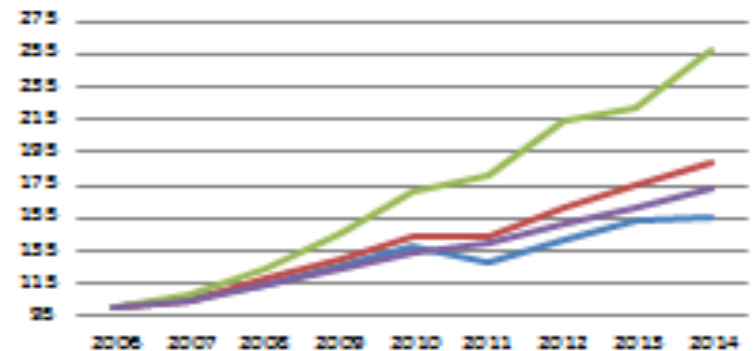
# ARE HELPING INDUSTRY, THAT HAD SUFFERED DURING THE PERIOD OF CURRENCY APPRECIATION..

## DUTCH DISEASE SYMPTOMS DURING THE BOOM (Industrial recession)

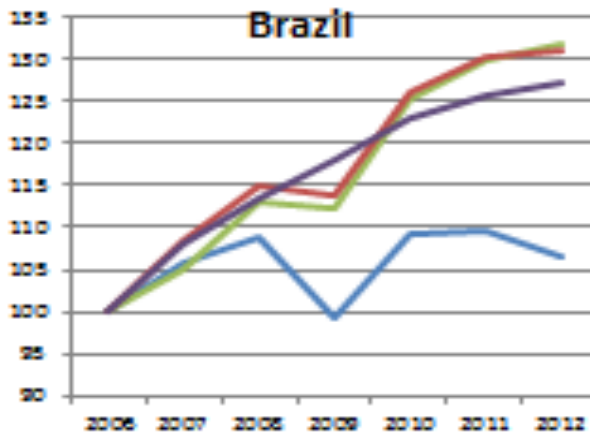
Colombia



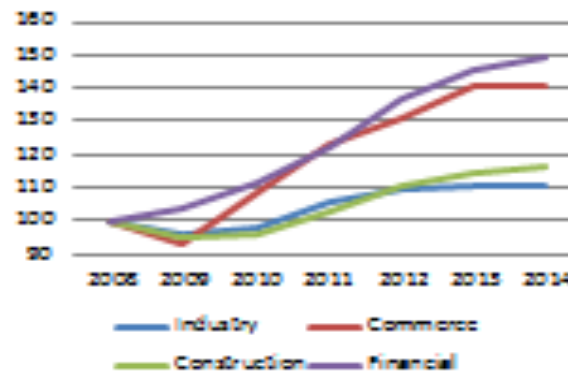
Peru



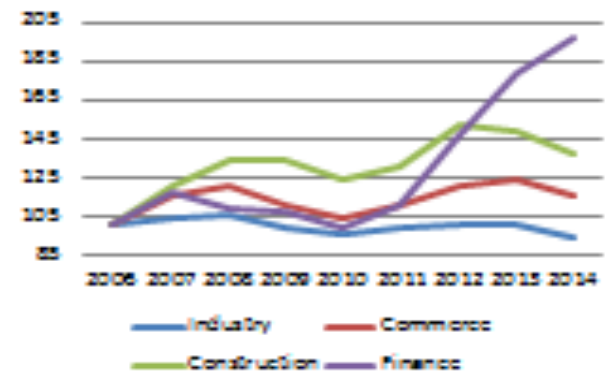
Brazil



Chile

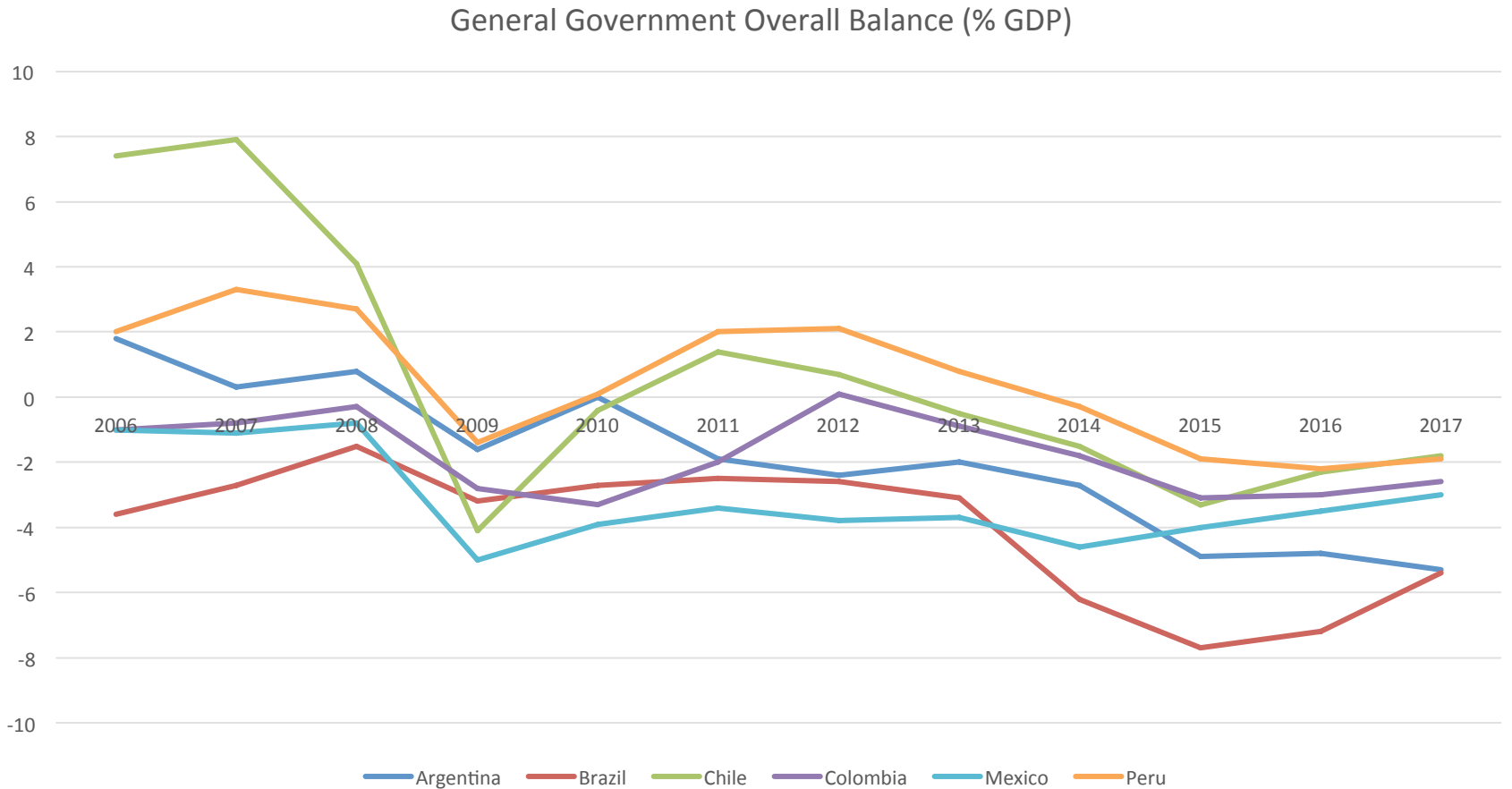


Venezuela



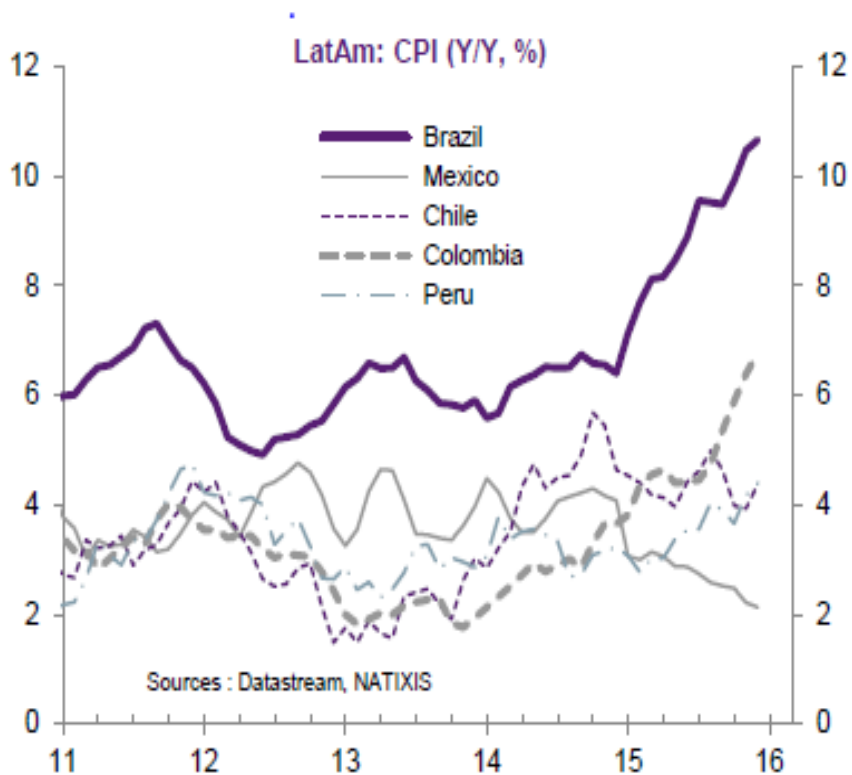
Fuente: Brasil, Chile, Colombia and Peru Central Banks

# COUNTRIES WITH STRONGER FISCAL POSITIONS ARE DOING BETTER (OTHERS REQUIRE FISCAL ADJUSTMENTS THAT WILL ACCENTUATE THE SLOWDOWN) ....

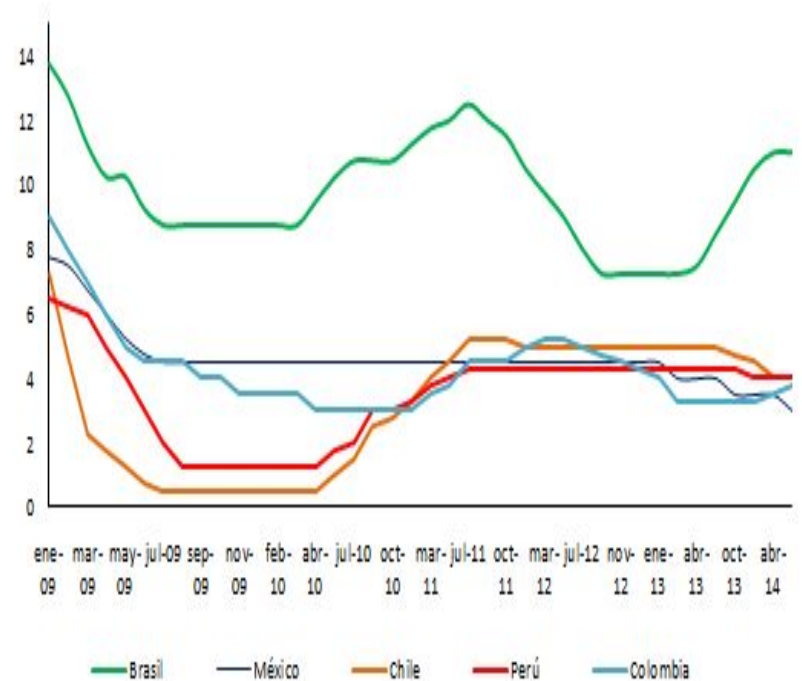


# BUT DEVALUATIONS HAVE BROUGHT INFLATIONARY PRESSURES: CENTRAL BANKS INCREASED INTEREST RATES

Consumer Price Index (Annual Change)



Tasas de Interés de Referencia (Enero 2009 - Mayo 2014)



Fuente: Reuters

Elaboración: Gestión

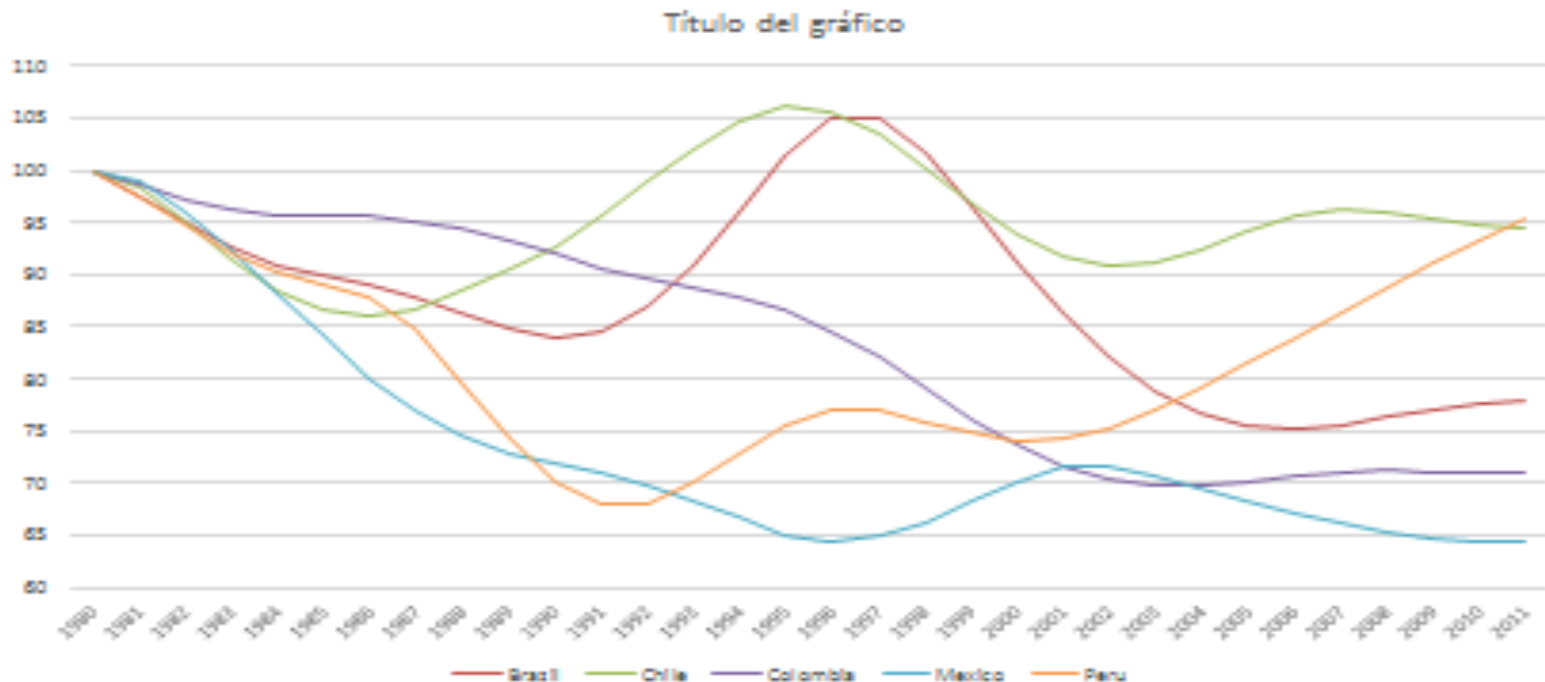


# OTHER RISKS

- UNEXPECTED EFFECTS OF MONETARY NORMALIZATION IN THE US
- DEEPENING OF PRESENT WOES IN CHINA
- THE SAGA IN EUROPE MAY NOT HAVE ENDED

# THE MAIN LONG TERM CHALLENGE: INCREASING PRODUCTIVITY

Determinantes de política doméstica:  
productividad (TPF) relativa a EEUU



Source: Daude and Fernández-Arias(2013).

# THE MICRO AGENDA

## (emphasis varying by country)

- INCREASING QUALITY OF EDUCATION
- STIMULATING INNOVATION BY FIRMS
- FLEXIBILIZING LABOR MARKETS
- ENHANCING TRADE
- OVERCOMING TRANSPORT INFRASTRUCTURE LAGS
- IMPROVING SME ACCESS TO FINANCE
- REDUCING COSTS OF DOING BUSINESS

# ENDING ON A POSITIVE NOTE

1. THE EMERGENCE OF A LARGE MIDDLE CLASS AND THE REDUCTION OF POVERTY LEVELS (slide)
2. INCREASED RESILIENCE (IN MOST OF THE REGION)
  - MOSTLY UNSCATHED BY THE 2009 GLOBAL FINANCIAL CRISES
    - MODEST SLOWDOWN AND SHARP RECOVERY
    - NO BANKRUPTCIES, NOR CREDIT CRUNCHES
  - STRONGER MACRO-FINANCIAL FRAMEWORKS THAN IN THE PAST
    - INDEPENDENT AND CREDIBLE CENTRAL BANKS
    - FLEXIBLE EXCHANGE RATE SYSTEMS
    - HIGHER FISCAL PRUDENCE (MAJOR ADVANCES IN CHILE AND PERU)
    - BANKS ARE STRONGER, WELL MANAGED AND BETTER REGULATED AND SUPERVISED THAN IN THE PAST
3. THE EMERGENCE OF COMPETITIVE MULTILATINAS
4. ENCOURAGING TRADE AGREEMENTS: CENTRAL AMERICA, THE PACIFIC ALLIANCE, THE FTA'S WITH THE US, EUROPE AND SOME ASIAN COUNTRIES but the need to broaden participation in the Transpacific and Transatlantic agreements
5. COMMODITY PRICES MAY NOT REMAIN AS DEPRESSED AS AT PRESEN